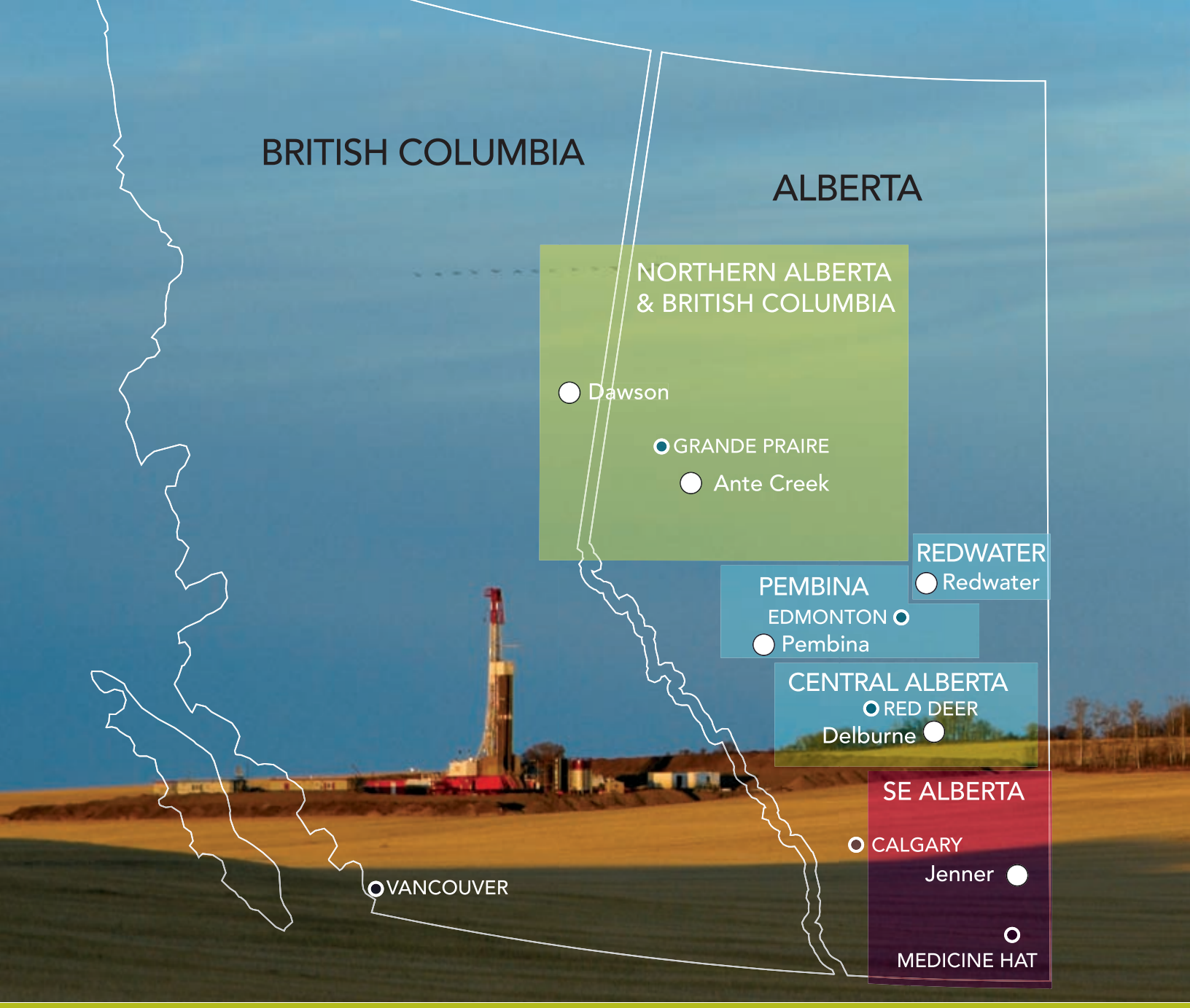
ARC ENERGY TRUST
ANNUAL REPORT 2008

IDENTIFY. CREATE. DELIVER.

VALUE



$570 million distributed to unitholders in 2008

1996

Western Canada

- ARC Energy Trust was launched with the acquisition of 21 properties (18 areas – all western Canada) from Mobil Oil Canada
- Built on a foundation of strong core properties

Pembina, AB

- Pembina is ARC's primary producing field

1999

Western Canada

- Completed the acquisition of Orion Energy Trust
- Completed the acquisition of Starcor Energy Royalty Fund
- Combined acquisitions double ARC's natural gas production

Jenner, AB

- Acquired through the joint acquisition, Jenner kick starts ARC's shallow gas drilling – ARC has a very active shallow gas program today

2000

Ante Creek, AB

- ARC acquires producing assets in Ante Creek
- Ante Creek is a low risk, low operating cost field generating high netbacks
- It has developed into a major growth centre and today is one of ARC's prime assets

2001

Western Canada

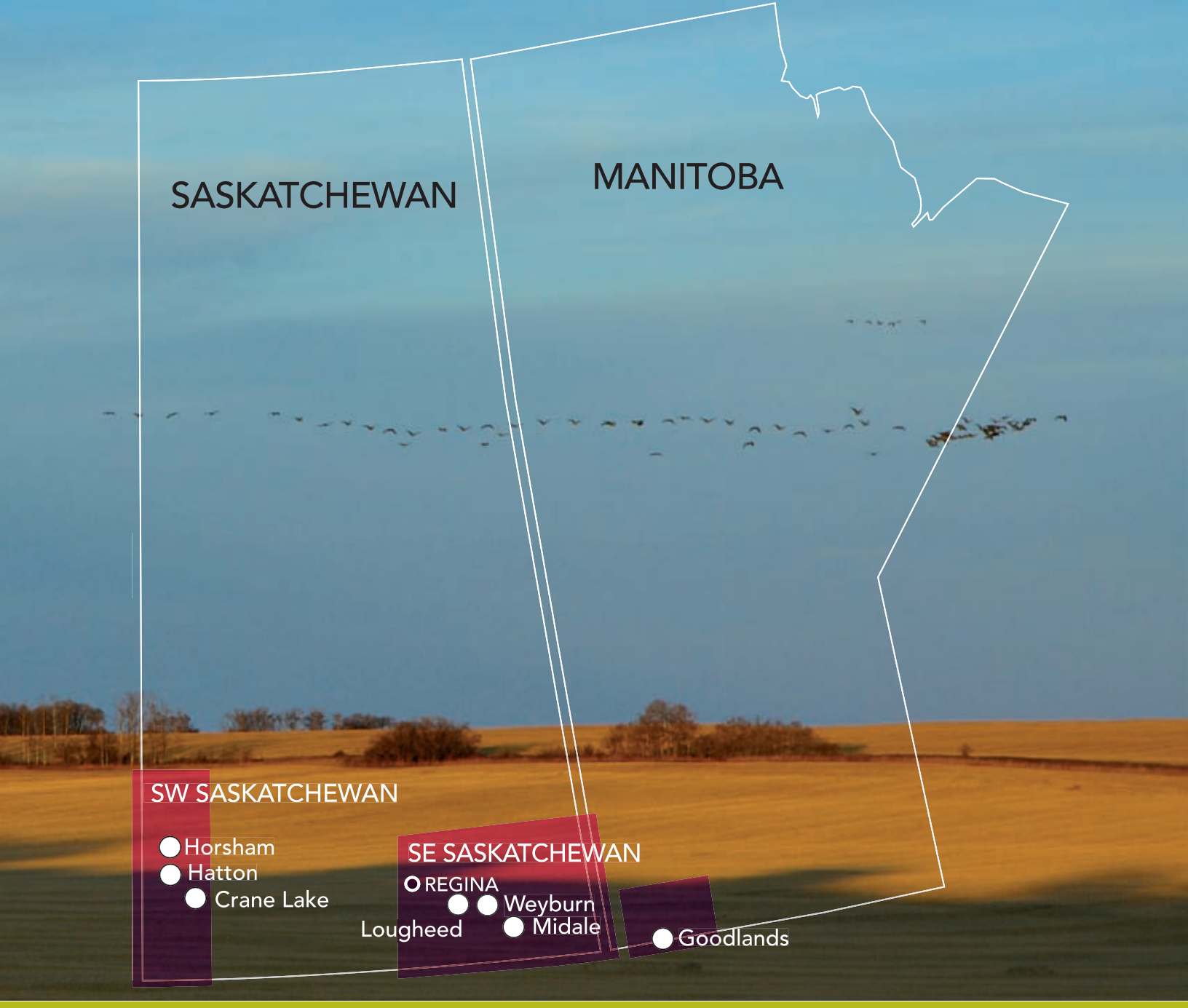
- ARC completed the acquisition of Startech Energy Inc.

Brooks, AB and Hatton, SK

- Added to our shallow gas assets through Startech with the acquisition of Brooks and Hatton

Lougheed, SK

- Acquired Lougheed in the Startech acquisition. ARC installs equipment to capture NGLs and reduce natural gas flaring



$549 million executed capital program in 2008

2003

Dawson Creek, BC

- Completed the acquisition of Star Oil & Gas Ltd.
- Gained the new area of Dawson in B.C. – a relatively immature, tight Montney natural gas play
- Identified the underdeveloped Dawson field as an area for substantial future development

2005

Dawson Creek, BC

- ARC pioneers the use of innovative completion technology for horizontal wells in the Montney
- Technology has proven to be the key to unlocking value from the hottest resource play in western Canada

Pembina, AB

- Acquired a 45.57 per cent working interest in the North Pembina Cardium Unit No. 1

Redwater, AB

- Acquired a principal working interest in the Redwater oil field
- Identified potential to apply advanced recovery techniques such as CO_2 injection to recover additional oil from the resource base

2008

Dawson Creek, BC

- Independent evaluation of Montney lands identifies a potential resource in excess of 8 Tcf of natural gas
- Dependent on drilling results and production activity the resource has the potential to more than double company reserves

Redwater, AB

- CO_2 facilities are completed and successful injection of CO_2 begins on ARC's pilot project

INFORMATION REGARDING DISCLOSURE IN THIS ANNUAL REPORT AND OIL AND GAS RESERVES, RESOURCES AND OPERATIONAL INFORMATION

All amounts in this Annual Report are stated in Canadian dollars unless otherwise specified. Where applicable, natural gas has been converted to barrels of oil equivalent ("BOE") based on 6 Mcf:1 BOE. The BOE rate is based on an energy equivalent conversion method primarily applicable at the burner tip and does not represent a value equivalent at the wellhead. Use of BOE in isolation may be misleading. In accordance with Canadian practice, production volumes and revenues are reported on a gross basis, before deduction of Crown and other royalties, unless otherwise stated. Unless otherwise specified, all reserves volumes in this Annual Report (and all information derived therefrom) are based on "company interest reserves" using forecast prices and costs. "Company interest reserves" consist of "gross reserves" (as defined in National Instrument 51-101 adopted by the Canadian securities regulators ("NI 51-101") plus ARC's royalty interests in reserves. "Company interest reserves" are not a measure defined in NI 51-101 and does not have a standardized meaning under NI 51-101. Accordingly, our company interest reserves may not be comparable to reserves presented or disclosed by other issuers. Our oil and gas reserves statement for the year ended December 31, 2008, which will include complete disclosure of our oil and gas reserves and other oil and gas information in accordance with NI 51-101, are contained within our Annual Information Form which is available on our SEDAR profile at www.sedar.com.

This Annual Report contains references to estimates of natural gas classified as discovered petroleum initially in place in Dawson and in the areas west of Dawson in British Columbia which are not, and should not be confused with, oil and gas reserves. "Discovered petroleum initially in place" is defined in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") as the quantity of hydrocarbons that are estimated to be in place within a known accumulation. Discovered petroleum initially in place is divided into recoverable and unrecoverable portions, with the estimated future recoverable portion classified as reserves and contingent resources. The resource estimates of natural gas are estimates only and the actual resources may be greater than or less than the estimates provided herein. A recovery project cannot be defined at this time for these volumes of discovered petroleum initially in place. There is no certainty that it will be economically viable or technically feasible to produce any portion of this discovered petroleum initially in place except to the extent identified as proved or probable reserves.

There are a number of assumptions associated with the development of the lands west of Dawson relating to performance from new and existing wells, future drilling programs, the lack of infrastructure, well density per section, recovery factors and development necessarily involves known and unknown risks and uncertainties, including those risks identified in this press release.

NOTICE TO U.S. READERS

The oil and natural gas reserves contained in this Annual Report have generally been prepared in accordance with Canadian disclosure standards, which are not comparable in all respects of United States or other foreign disclosure standards. For example, the United States Securities and Exchange Commission (the "SEC") generally permits oil and gas issuers, in their filings with the SEC, to disclose only proved reserves (as defined in SEC rules). Canadian securities laws require oil and gas issuers, in their filings with Canadian securities regulators, to disclose not only proved reserves (which are defined differently from the SEC rules) but also probable reserves, each as defined in NI 51-101. Accordingly, proved reserves disclosed in this Annual Report may not be comparable to U.S. standards, and in this Annual Report, ARC has disclosed reserves designated as "probable reserves" and "proved plus probable reserves". Probable reserves are higher risk and are generally believed to be less likely to be accurately estimated or recovered than proved reserves. The SEC's guidelines strictly prohibit reserves in these categories from being included in filings with the SEC that are required to be prepared in accordance with U.S. disclosure requirements. In addition, under Canadian disclosure requirements and industry practice, reserves and production are reported using gross (or, as noted above, "company interest") volumes, which are volumes prior to deduction of royalty and similar payments. The practice in the United States is to report reserves and production using net volumes, after deduction of applicable royalties and similar payments. Moreover, ARC has determined and disclosed estimated future net revenue from its reserves using forecast prices and costs, whereas the SEC generally requires that prices and costs be held constant at levels in effect at the date of the reserve report. As a consequence of the foregoing, ARC's reserve estimates and production volumes in this Annual Report may not be comparable to those made by companies utilizing United States reporting and disclosure standards. Additionally, the SEC prohibits disclosure of oil and gas resources, whereas Canadian issuers may disclose resource volumes. Resources are different than, and should not be construed as, reserves. For a description of the definition of, and the risks and uncertainties surrounding the disclosure of, resources, see above.

FORWARD-LOOKING INFORMATION AND STATEMENTS

This Annual Report contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "strategy" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this Annual Report contains forward-looking information and statements pertaining to the following: the volumes and estimated value of ARC's oil and gas reserves; the life of ARC's reserves; the volume and product mix of ARC's oil and gas production; future oil and natural gas prices and ARC's commodity risk management programs; the amount of future asset retirement obligations; future liquidity and financial capacity; future results from operations and operating metrics; future costs, expenses and royalty rates; future interest costs; future development, exploration, acquisition and development activities (including drilling plans) and related capital expenditures, future tax treatment of income trusts and future taxes payable by ARC; and ARC's tax pools.

The forward-looking information and statements contained in this Annual Report reflect several material factors and expectations and assumptions of ARC including, without limitation: that ARC will continue to conduct its operations in a manner consistent with past operations; the general continuance of current industry conditions; the continuance of existing (and in certain circumstances, the implementation of proposed) tax, royalty and regulatory regimes; the accuracy of the estimates of ARC's reserve and resource volumes; certain commodity price and other cost assumptions; and the continued availability of adequate debt and equity financing and cash flow to fund its plans expenditures; ARC believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable but no assurance can be given that these factors, expectations and assumptions will prove to be correct.

The forward-looking information and statements included in this Annual Report are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: changes in commodity prices; changes in the demand for or supply of ARC's products; unanticipated operating results or production declines; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of ARC or by third party operators of ARC's properties, increased debt levels or debt service requirements; inaccurate estimation of ARC's oil and gas reserve and resource volumes; limited, unfavourable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time to time in ARC's public disclosure documents (including, without limitation, those risks identified in this Annual Report and in ARC's Annual Information Form).

The forward-looking information and statements contained in this Annual Report speak only as of the date of this Annual Report, and none of ARC or its subsidiaries assumes any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.

IDENTIFY. CREATE. DELIVER.

ARC identifies value and up-side in potential acquisitions and has been doing so since inception.

ARC creates opportunities for growth and value through the disciplined deployment of capital resources and the distribution of cash flow to unitholders. The use of innovative technologies to improve both development of our lands and production of our wells play an integral role in this process.

ARC has consistently delivered strong returns to its unitholders on both an absolute and relative basis through its exploitation and operational activities by striving for the highest return on its investment in long-life, high quality assets with material additional value creation opportunities relating to advances in technology.

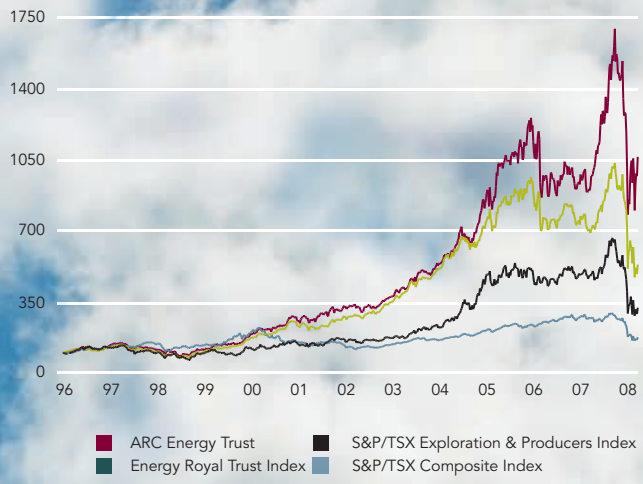
VALUE.

ARC AT A GLANCE

ENTERPRISE VALUE: DEBT PLUS MARKET CAPITALIZATION (MILLIONS)

* Enterprise value is based upon year-end December 31 pricing, units outstanding and debt levels

TOTAL RETURN PERFORMANCE SINCE INCEPTION (PER CENT)



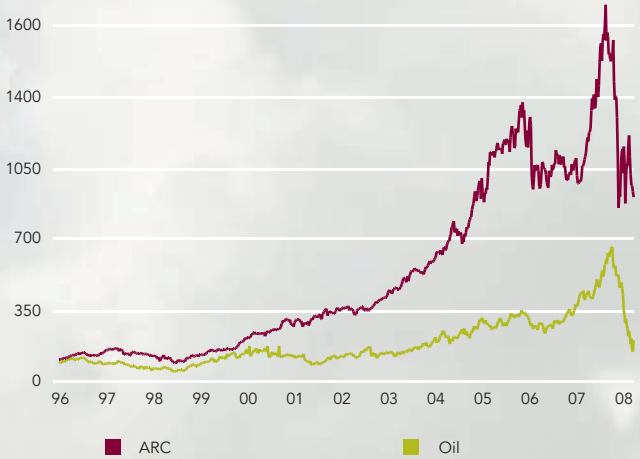
Total Returns for ARC, benchmark indices and commodities are based on the assumption of $100 investment at the time of inception dated July 11, 1996.

ARC Energy Trust ("ARC" or "the Trust"), located in Calgary, Alberta is one of Canada's largest conventional oil and gas companies. Structured as a trust, ARC acquires and develops long-life, low declining oil and gas properties in western Canada. Unitholders receive a monthly cash distribution from the Trust's producing oil and gas assets owned by ARC Resources Ltd.

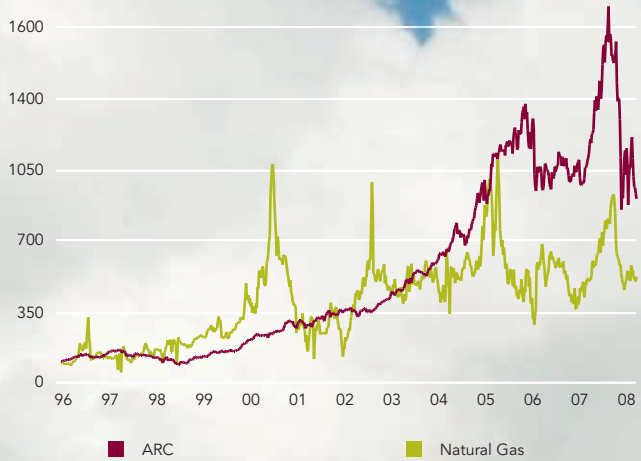
ARC Energy Trust has consistently outperformed the Royalty Trust Index, the S&P/TSX Composite Index, and the S&P Exploration and Producers Index. During 2008 ARC's annual total return was 9.9 per cent and annual total returns since inception have averaged 20.9 per cent. ARC remains committed to generating superior returns and long-term value.

ARC Energy Trust units trade on the Toronto Stock Exchange under the symbol AET.UN along with its exchangeable shares under the symbol ARX.

TOTAL RETURN PERFORMANCE SINCE INCEPTION (PER CENT) ARC VS. OIL



TOTAL RETURN PERFORMANCE SINCE INCEPTION (PER CENT) ARC VS. NATURAL GAS



FINANCIAL HIGHLIGHTS

Twelve Months Ended December 31	2008	2007
FINANCIAL		
(Cdn$ millions, except per unit and per boe amounts)		
Revenue before royalties	1,706.4	1,251.6
Per unit [1]	7.90	5.95
Per boe	71.59	54.67
Cash flow from operating activities [2]	944.4	704.9
Per unit [1]	4.37	3.35
Per boe	39.62	30.79
Net income	533.0	495.3
Per unit [3]	2.50	2.39
Distributions	570.0	498.0
Per unit [1]	2.67	2.40
Per cent of cash flow from operating activities [2]	60	71
Net debt outstanding [4]	961.9	752.7
OPERATING		
Production		
Crude oil (bbl/d)	28,513	28,682
Natural gas (mmcf/d)	196.5	180.1
Natural gas liquids (bbl/d)	3,861	4,027
Total (boe/d)	65,126	62,723
Average prices		
Crude oil ($/bbl)	94.20	69.24
Natural gas ($/mcf)	8.58	6.75
Natural gas liquids ($/bbl)	69.71	54.79
Oil equivalent ($/boe)	71.25	54.54
Operating netback ($/boe)		
Commodity and other revenue (before hedging) [6]	71.59	54.67
Transportation costs	(0.80)	(0.72)
Royalties	(12.91)	(9.59)
Operating costs	(10.13)	(9.54)
Netback (before hedging)	47.75	34.82
TRUST UNITS		
(millions)		
Units outstanding, end of period [7]	219.2	213.2
Weighted average units [8]	216.0	210.2
TRUST UNIT TRADING STATISTICS		
(Cdn$, except volumes - based on intra-day trading)		
High	33.95	23.86
Low	15.01	18.90
Close	20.10	20.40
Average daily volume (thousands)	975	597

(1) Per unit amounts (with the exception of per unit distributions) are based on weighted average trust units outstanding plus trust units issuable for exchangeable shares. Per unit distributions are based on the number of trust units outstanding at each distribution record date.

(2) Cash flow from operating activities is a GAAP measure. Historically, management has disclosed Cash Flow as a non-GAAP measure calculated using cash flow from operating activities less the change in non-cash working capital and the expenditures on site restoration and reclamation as they appear on the Consolidated Statements of Cash Flows. Cash Flow for 2008 would be $936.5 million ($4.34 per unit). Distributions as a per centage of Cash Flow would be 61 per cent year-to-date 2008. Please refer to the non-GAAP measures section in the MD&A for further details.

(3) Net income per unit is based on net income after non-controlling interest divided by weighted average trust units outstanding (excluding trust units issuable for exchangeable shares).

(4) Net debt excludes current unrealized amounts pertaining to risk management contracts and the current portion of future income taxes.

(5) Average prices realized by ARC and not industry averages.

(6) Includes other revenue.

(7) For 2008, includes 1.1 million (1.3 million in 2007) exchangeable shares exchangeable into 2.517 trust units (2.250 in 2007) each for an aggregate 2.7 million (2.9 million in 2007) trust units.

(8) Includes trust units issuable for outstanding exchangeable shares at period end.

RESERVES [1]	2008 Gross Reserves	2008 Company Interest Reserves	2007 Company Interest Reserves
Proved reserves			
Crude oil and NGLs (mbbl)	118,335	118,806	124,787
Natural gas (bcf)	736.9	746.9	601.0
Total oil equivalent (mboe)	241,154	243,292	224,953
Proved plus probable reserves			
Crude oil and NGLs (mbbl)	152,441	153,020	158,341
Natural gas (bcf)	1,000.0	1,012.2	768.2
Total oil equivalent (mboe)	319,114	321,723	286,371
FINDING, DEVELOPMENT AND ACQUISITION COSTS ($/BOE) [2]			
Including Future Development Capital			
Current year		17.00	20.03
Three year average		19.84	19.19
Excluding Future Development Capital			
Current year		10.13	19.00
Three year average		14.70	16.57

(1) Includes other Revenue.

(2) Based on proved plus probable company interest reserves before royalties. Additional information on reserves is available in our Annual Information Form.

MESSAGE TO UNITHOLDERS

While looking back at a very positive year in 2008, it is difficult not to be affected by the current challenging economic environment. Although concern rightfully exists regarding the prevailing low commodity price environment, we must celebrate our accomplishments in 2008, which were nothing short of outstanding. In 2008 ARC set new records for production volumes, revenue, cash flow, earnings, reserve additions and year-end corporate reserves. More importantly, significant capital expenditures to expand our Montney land holdings and the drilling of exploration and development wells to delineate the resource have, in my view, transformed the future of our company.

An independent evaluation of our Montney lands in northeast British Columbia has identified a potential resource in excess of 8 Tcf of natural gas, classified as Discovered Petroleum Initially in place. Depending on the results of future drilling and production activity, this resource could ultimately double or possibly triple ARC's reserves. Therefore, despite the difficult economic conditions in 2009, our long-term future has never looked better.

The effect of global economic events has resulted in a dramatic decrease in energy prices. The price of WTI crude oil, which exceeded US$140 per barrel in the third quarter of 2008 dropped to below US$40 in the fourth quarter, but still managed to average US$99.66 per barrel for the full year. In early 2009, the price of WTI fell below US$35 per barrel. In spite of the cold winter weather and storms that were consistently making the news in December and early January, the price of natural gas, which fell with oil prices, has remained stubbornly low. From a high of Cdn$11.30 per mcf in July, the AECO gas price fell to a low of Cdn$5.33 per mcf in December averaging approximately Cdn$8.15 per mcf for the year. While the short-term outlook for commodity prices is for continued weakness, we strongly believe significant supply reductions are occurring that will result in a material boost to commodity prices in 2010, even if demand does not increase.

Although significant price declines occurred in the fourth quarter of 2008, the real effect of the decline in commodity prices will not truly be reflected until the first quarter of 2009. In reviewing our financial statements for 2008, unitholders will see record revenue of $1.7 billion and record cash flow from operating activities of $944 million. We are pleased with these positive results, which were primarily a result of record high oil prices through the greater part of 2008 and our record production volumes. However, our first quarter revenues and cash flow will be dramatically lower and will fully reflect the current, low commodity price environment.

In 2008 ARC distributed $570 million to unitholders – a historical record for the Trust as we flowed through a portion of the benefits of the high commodity prices to our unitholders. With the unprecedented decline in commodity prices at the end of 2008, distributions were lowered to ensure that our balance sheet did not become stressed. A strong balance sheet is of paramount importance to ARC as it provides the financial flexibility required to continue to exploit our base assets, to carry out required development of our Montney reserves in Dawson and to access necessary credit lines to supplement our cash flow for special projects. To ensure that we have sufficient funds to execute our capital program, we completed an equity offering in early February 2009 for net proceeds of $240 million that was used to reduce our debt and ensure that we can capitalize on existing opportunities and proceed with our growth and expansion plans.

In 2008, ARC achieved excellent operational results through safe, reliable operations and the execution of a significant,

disciplined capital program. The record 2008 cash flow allowed us to position ARC for substantial future growth by spending $173 million at crown land sales and on the acquisition of undeveloped lands from other operators. As a result, our total expenditures in 2008 were $599 million. On operated properties we drilled 232 gross wells (178 net wells) with a 99 per cent success rate. Our production averaged 65,126 boe per day, well above our initial target of 63,000 boe per day. The combination of a portfolio of high-quality, long-life assets and a skilled technical team benefitted our unitholders by consistently delivering and exceeding forecast production targets. Our history of acquiring assets with long-term future potential has served us well this year as we saw extensive reserve additions from our six year old Dawson field that will be the cornerstone for future growth.

Primarily as a result of a 43 mmboe reserves additions at Dawson, ARC was able to replace 248 per cent of its 2008 production, bringing our proved plus probable reserves at year-end 2008 to 322 mmboe. Despite the record spending on undeveloped land, ARC's all in 2008 finding development and acquisition costs ("FD&A") were just $10.13 per boe (47 per cent lower than 2007), a number which is sure to be top quartile in our industry. This lower FD&A cost relative to 2007 is primarily due to the recognition of only a small portion of the Montney potential at Dawson. With an average netback of $47.75 per boe, ARC's 2008 recycle ratio was 4.7 including all capital expenditures.

The Montney play is ARC's most important area for reserves and production growth for the future. We believe we have the potential to more than double our reserves over the next five to ten years just through reserves additions in northeast British Columbia. In this annual report, we have included a special section devoted to explaining our Montney play, identifying some of the opportunities and outlining the development process. We are excited about the long-term value that the Montney play can generate for our investors. There are several major oil and gas companies with land holdings in this exciting area – we are proud that we were one of the first to see the potential of the Montney and were the first to use the horizontal drilling technology that unlocked the value in this play and is now used by all the players in the Montney. Current production from the Dawson field is approximately 50 mmcf per day, but our goal is to have a new gas plant built and operating by the end of the first quarter of 2010, which should enable an additional 60 mmcf per day of production; we have plans for a further 60 mmcf per day expansion for 2011. In addition to our exciting plans for Dawson, there are several other exploration and development opportunities on our lands to the west of Dawson that were identified in 2008 through the drilling of 10 exploratory wells. I am confident that we will be reporting back to our unitholders on our activities in the greater Dawson area many times over the next few years.

Another area of development that we expect may contribute to long-term production and value growth is enhanced oil recovery ("EOR") through the injection of CO_2 in our Redwater field. The year 2008 was a milestone as ARC completed the construction of the Redwater CO_2 pilot facilities in the second quarter of 2008 and commenced injection of CO_2 on July 29, 2008 upon receipt of final regulatory approval. The

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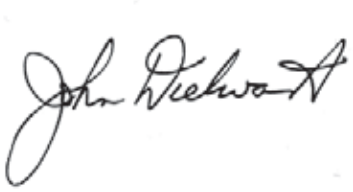
construction of our EOR pilot project production facilities was completed early in the first quarter of 2009. These facilities will be capable of handling the production resulting from the CO_2 injection into the reservoir. Currently we are also conducting lab work to analyze the potential of CO_2 EOR in some of ARC's other fields. Definitive results from the Redwater CO_2 pilot are not expected for at least another 12 months. While the primary goal of this project is to determine whether we can successfully recover large quantities of oil that have been left behind in this prolific reservoir, the decision on whether or not to proceed to full scale commercial recovery will be largely dependent on commodity prices and the availability of large quantities of economic CO_2.

There have not been any material changes to environmental legislation at this point that we believe would motivate emitters to capture CO_2 emissions in the near-term. We will have to wait and see if the political changes in the United States will lead to new legislation that may support CO_2 emission reductions in that country through carbon capture, and if such legislation would motivate the Canadian Government to modify existing legislation. The Alberta Government has dedicated $2 billion to CO_2 sequestration projects but has yet to identify what these projects will be.

In spite of all the negative economic news we hear on a daily basis, ARC continues to execute its business plan strategically and with discipline. We are excited about the opportunities to grow our reserves and production through our extensive land base in the Montney play in northeast British Columbia. Although we are not discounting possible acquisitions and we diligently look at all opportunities that we believe have potential to add value to the Trust, we believe that an acquisition would need to be very compelling for us to divert resources from the Montney play. We continue to focus our asset purchases around the Montney region by consolidating our assets through the purchase of surrounding acreage whenever the opportunity arises. We cannot deny that the downturn in the economy and the weak commodity prices present significant challenges for us in the execution of our capital program. However, we have been through difficult economic times before and through discipline and careful management of our resources, we have thrived and with the opportunities in front of us I expect we will do so in the future as well.

In Memoriam

It is with great sadness that we announced in 2008 an important loss to our Board of Directors. Mr. Fred Coles passed away on May 1, 2008. He was a member of our Board since our inception and contributed his skill, expertise and experience to enhance ARC and our community. He is greatly missed.



John P. Dielwart
Chief Executive Officer

CREATING VALUE THROUGH OUR OPERATIONS

Volumes averaged

65,126

boe per day

2008 PRODUCTION VOLUMES

Total of gross

232

wells drilled

2008 OPERATIONAL PROPERTY OUTPUT

ARC has traditionally executed a disciplined and successful capital program and our 2008 program was no exception. For the first time in ARC's history we replaced significantly greater than 100 per cent of production without relying on acquisitions – a great achievement for the Trust.

Total spent
$427
million

EXPLORATION, EXPLOITATION AND DEVELOPMENT CAPITAL

Total spent
$173
million

UNDEVELOPED LAND PURCHASED AT CROWN LAND SALES AND THROUGH ACQUISITIONS

Total spent
$599
million

TOTAL CAPITAL EXPENDITURES INCLUDING NET AQUISITIONS

ARC prides itself on its exceptional assets and the many opportunities embedded in them. Beyond our excellent base operations with over 1,600 identified drilling locations, we believe there is significant unrecognized value embedded in ARC's tight gas resource play in the Montney formation in northeastern British Columbia and possibly through enhanced oil recovery using CO_2 injection. We made important progress on both initiatives in 2008 as highlighted in our focus areas update. With time, technology, and the efforts of our technical team we expect to continue unlocking significant value for our investors.

Production

ARC's production volumes averaged 65,126 boe per day in 2008 – a record for the Trust. Volumes were four per cent higher than last year's production of 62,723 boe per day and above our year-end 2007 forecast of 63,000 boe per day. Record volumes are attributed to a combination of the Trust's active drilling program and significant growth in gas production in the Dawson area. ARC's production fluctuates during the year, typically peaking in the first and fourth quarters and declining in the second and third quarters depending on the timing of new wells coming on and closures of facilities for maintenance. For 2009, ARC is currently forecasting average production volumes of between 64,000-65,000 boe per day based on our existing assets and internal drilling activities and a $450 million capital program. With the continued deterioration in commodity prices, especially for natural gas, this capital program is under review with the potential for actual capital expenditures to be materially lower than $450 million. It is not currently known how that would affect actual production volumes for 2009 but they would likely be lower than 64,000 boe per day.

Capital Expenditures

ARC invested a record $548.6 million (before net aquisitions) dollars on capital development in 2008, drilling a total of 232 gross wells (178 net wells) on operated properties with a 99 per cent success rate. ARC also participated in the drilling of 238 gross wells (31 net wells) drilled by other operators. Our capital program replaced a record 248 per cent of ARC's production through our internal drilling and optimization activities. Approximately $305 million was spent on drilling and completion activities on ARC's properties. The ability to sustain our production each year speaks to the quality of our assets and the ability of our technical team to exploit the opportunities associated with our properties.

The capital investment includes the purchase of $122.4 million of undeveloped land bringing the Trust's undeveloped land holdings to 534,416 net acres. ARC also acquired $51 million of primarily undeveloped land from other companies bringing our total amount spent on undeveloped land in 2009 to $173.4 million. These lands will provide drilling opportunities and, if successful, incremental future production and reserves.

ARC currently has a capital development budget of $450 million for 2009, with plans to drill approximately 191 gross wells on operated properties. ARC has committed to reviewing its capital plans on an ongoing basis and if the current weak commodity prices persist, we would expect to reduce our capital budget. Regardless of what the final budget for 2009 will be, ARC will continue to focus on the development of projects on major properties where we see the most value creation potential. One of the key projects for 2009 will be the construction of a 60 mmcf per day gas plant at Dawson that will mark the start of a major growth phase for these assets. The gas plant is on target to be on stream in the first quarter of 2010.

Finding, Development and Acquisition Costs ("FD&A")

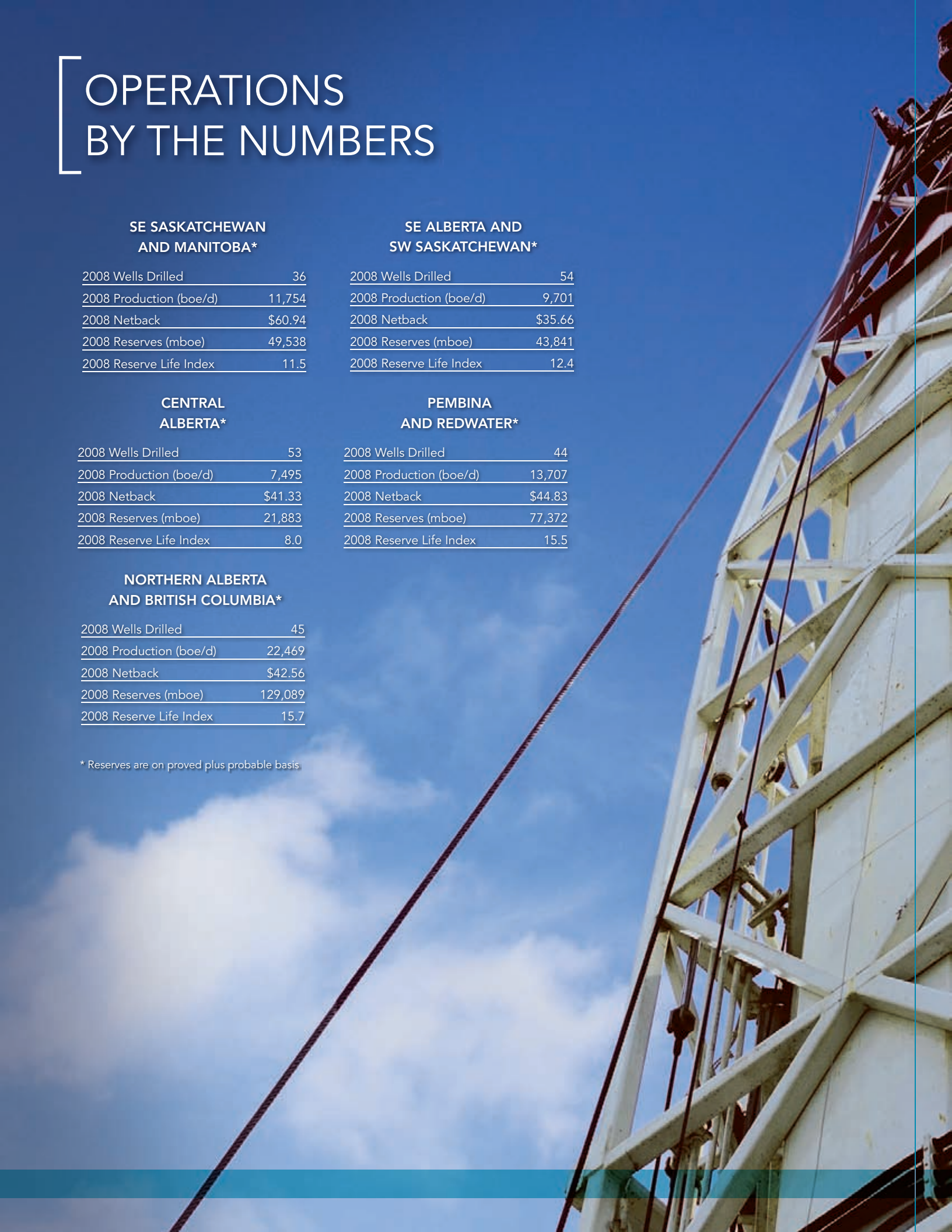
ARC replaced 248 per cent of its production in 2008 through internal development activities resulting in net reserves adds of 59.2 mmboe of proved plus probable reserves. As a result, ARC exited 2008 with 322 mmboe of proved plus probable reserves, a 12 per cent increase over the 286 mmboe we started the year with.

Excluding future development capital ("FDC"), ARC's proved plus probable FD&A costs were $10.13 per boe on an all-in basis – a significant improvement on the $19 achieved in 2007. ARC's three year average FD&A is $14.70 per boe. Including FDC, our one year proved plus probable FD&A costs were $17 down from $20.03 in 2007. On a proved basis, ARC's FD&A costs were $14.22 per boe excluding FDC and $21.87 including FDC.

Recycle Ratio

The recycle ratio is a measure of capital efficiency and is determined by dividing the netback per boe by the FD&A costs per boe. It is a measure of how effectively an oil and gas company is investing its cash by calculating the dollars received for a barrel sold compared to the cost incurred to find and develop that barrel. The proved plus probable recycle ratio for 2008 using ARC's FD&A of $10.13 per boe (prior to FDC) and the 2008 netback of $47.75 (prior to hedging gains) is 4.7 times. Using ARC's three year average FD&A of $14.70 provides a recycle ratio of 3.2 times. A recycle ratio of 2.0 times is normally considered a good number, hence these recycle ratios are a good indication of ARC's ability to create value through its capital expenditures.

OPERATIONS BY THE NUMBERS



SE SASKATCHEWAN AND MANITOBA*

2008 Wells Drilled	36
2008 Production (boe/d)	11,754
2008 Netback	$60.94
2008 Reserves (mboe)	49,538
2008 Reserve Life Index	11.5

SE ALBERTA AND SW SASKATCHEWAN*

2008 Wells Drilled	54
2008 Production (boe/d)	9,701
2008 Netback	$35.66
2008 Reserves (mboe)	43,841
2008 Reserve Life Index	12.4

CENTRAL ALBERTA*

2008 Wells Drilled	53
2008 Production (boe/d)	7,495
2008 Netback	$41.33
2008 Reserves (mboe)	21,883
2008 Reserve Life Index	8.0

PEMBINA AND REDWATER*

2008 Wells Drilled	44
2008 Production (boe/d)	13,707
2008 Netback	$44.83
2008 Reserves (mboe)	77,372
2008 Reserve Life Index	15.5

NORTHERN ALBERTA AND BRITISH COLUMBIA*

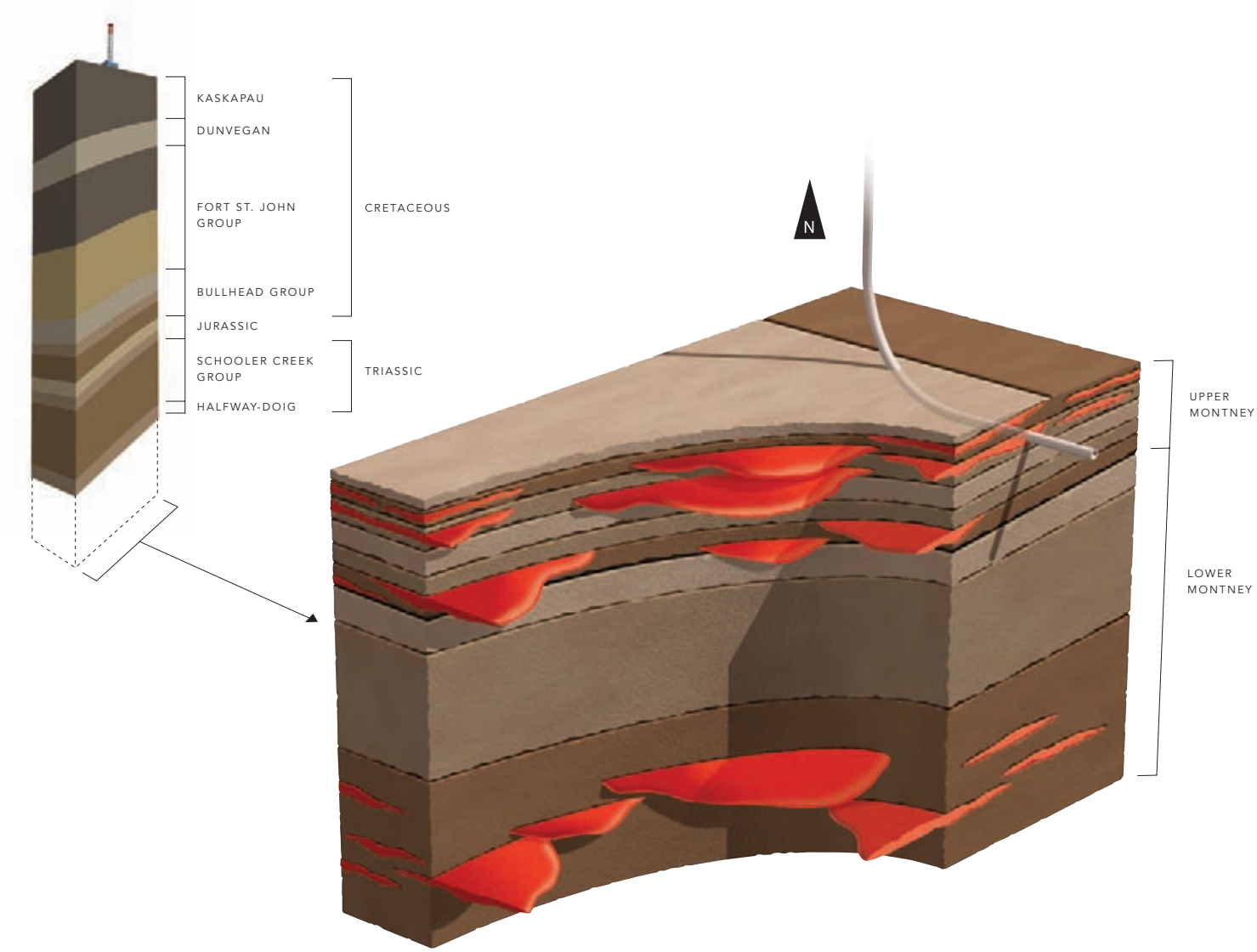
2008 Wells Drilled	45
2008 Production (boe/d)	22,469
2008 Netback	$42.56
2008 Reserves (mboe)	129,089
2008 Reserve Life Index	15.7

* Reserves are on proved plus probable basis

DAWSON AREA
ARC'S NEWEST RESOURCE PLAY

The Montney play is one of the hottest unconventional gas plays in our industry today. Drilling for tight gas did not make economic sense in the past; however, advances in fracturing and completion technology have made it economic for oil and gas companies to exploit this type of asset. Some of the largest oil and gas producers are actively vying for Montney assets and land prices in northeast British Columbia, where the Montney is gas rich, have escalated rapidly. ARC is proud to have been one of the first players in the Montney in northeast British Columbia. ARC has also been a pioneer in the use of the multi-stage frac technology used in the completion of horizontal wells that has been instrumental in the development of this resource play.

A key factor for ARC when acquiring assets is that the opportunity needs to provide long-term value creation opportunities for the company. When ARC purchased Star Oil and Gas Ltd. in 2003, of particular interest to ARC was Star's ownership in the Dawson tight-gas field. ARC had acquired experience in tight-oil production from developing and producing the Ante Creek field in Alberta and ARC's technical team believed that it was possible to transfer this expertise to a tight-gas play. When ARC completed the Star acquisition, Dawson was producing 16 mmcf per day and had just 110 bcf of booked proved plus probable reserves. Today, ARC's production at Dawson has grown to over 50 mmcf per day and the booked reserves have increased to over 400 bcf even after producing 50 bcf in the intervening period. Despite this increase in reserves and production, ARC believes that we have only just started to understand the true potential of this high-quality asset.



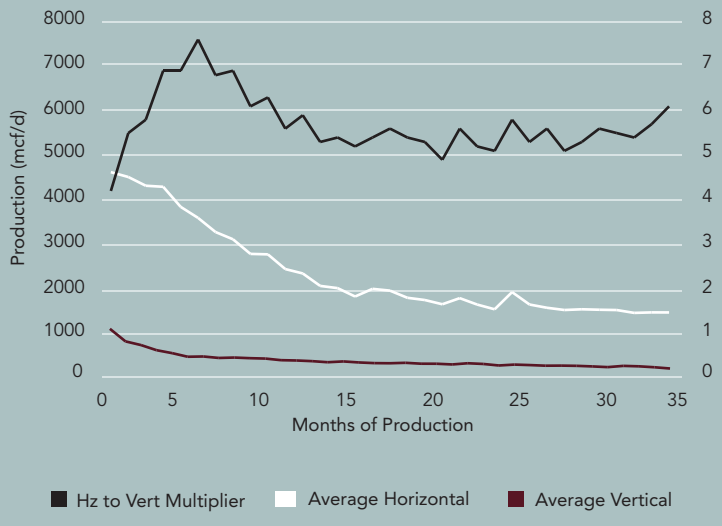
Dawson – Reserves Details	(Company Interest) Reserves Year-end Dec. 31, 2007	(Comany Interest) Reserves Year-end Dec. 31, 2008
Proved developed producing	66 bcfe	86 bcfe
Total proved	134 bcfe	312 bcfe
Proved plus probable	181 bcfe	465 bcfe
Produced to date	35 bcfe	55 bcfe
Working interest - generally 100 per cent surface to basement		
Reserve life index - 22 years (at current production levels)		
Production split - 99 per cent natural gas		
Number of wells - 87		
ARC produces through three compression units at the 1-34 field site. All production is processed through third party facilities in Alberta (30 mmcf per day at Pouce Coupe) and British Columbia (16 mmcf per day at West Doe).		

At the end of 2007, ARC had 181 Bcf of proved plus probable reserves assigned by GLJ Petroleum Consultants Ltd. ("GLJ") to its Dawson property. With the significant expansion of ARC's land holdings in 2008, ARC retained GLJ to review the reserves in its Dawson properties as well as the resource potential of the western lands. GLJ increased the remaining proved plus probable reserves at Dawson by 254 Bcf to a total of 416 Bcf. This was a 138 per cent increase over year-end 2007 reserves for this property. The reserves represent a 25 per cent recovery factor of the 2 Tcf of gas classified as Discovered Petroleum Initially in Place ("DPIIP") on these lands. This assignment did not encompass all of ARC's properties in the Dawson and West Dawson areas. Including the sections where no reserves were assigned, the total DPIIP for the Upper Montney in the Dawson area is estimated to be 3.8 Tcf, with ARC company gross share of 93 per cent being 3.5 Tcf. At the time of the evaluation, the increase in reserves represented 15 per cent of ARC's total corporate proved plus probable reserves at year-end 2007 of 286 mmboe. The total ARC company gross DPIIP in the Upper Montney Formation in the lands west of Dawson is estimated to be 4.6 Tcf (5.5 Tcf in total). In total, ARC now has exposure to 8.1 Tcf of gas on its Montney assets in northeast British Columbia. The assigned reserves represent approximately six per cent of the total DPIIP. There is still opportunity for further positive reserve revisions as ARC develops its extensive land holdings in the area. ARC believes the ultimate recovery factor has the potential to exceed 50 per cent; however, this needs further testing and analysis before we are prepared to provide a contingent resource estimate. Of note, these estimates only include the upper Montney formation with significant potential believed to also exist in other formations, especially the lower Montney.

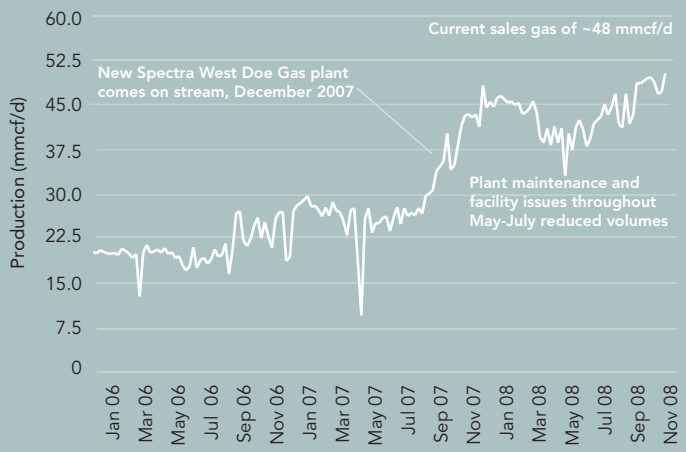
ARC has added significantly to its lands in the Montney since its initial purchase of the Star properties in 2003, specifically in the latter part of 2007 and throughout 2008. ARC currently holds 212 gross sections (186 net) comprising 50 gross sections (49.5 net) with reserves assigned at Dawson, 75 gross sections (68 net) with no reserves assigned at Dawson and 84 gross section (68.5 net) on the West Montney exploration lands. Map A gives an overview of the Dawson field along with ARC's working interest in the various parts of the property.

ARC's Montney lands provide high impact projects with reduced exploration risk. We believe each horizontal well has the potential to recover an average of 5 Bcf of gas over its life and provide strong economic returns to ARC and its unitholders. The key to effectively developing this resource has proven to be the development of multi-stage fracturing technology in horizontal wells. Using this technology, ARC pumps at high pressure, large quantities of a slurry that includes grains of sand into discreet, isolated sections along the horizontal well so as to create artificial fractures in the reservoir thereby opening new "channels" and allowing more gas to be produced into the well bore. Graph 1 illustrates how using this technology in horizontal wells has resulted in a production increase of between five and six times a comparable vertical well. This five fold increase in performance is achieved at just under three times the cost, dramatically improving the economics of the play.

GRAPH 1 - TYPE CURVES

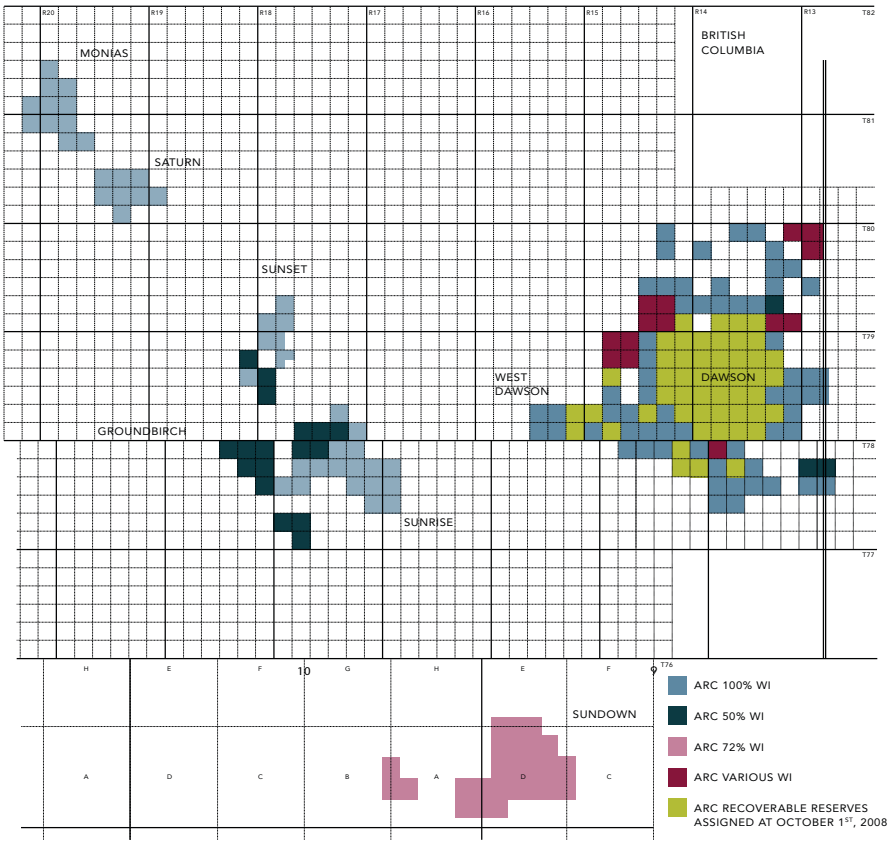


GRAPH 2 - DAWSON GAS PRODUCTION



ARC has extensive development plans for the Dawson area over the next several years, both in the main Dawson field and on its West Montney lands. In 2009, ARC plans to drill 19 horizontal wells in Dawson.

Our initial horizontal well in 2005 was drilled and completed at a cost of $7.9 million – since then we have improved our drilling and completion techniques and have reduced the cost of drilling and completion to approximately $5 million for wells at Dawson. The first well we drilled in 2005 used five fracs in a 1,500 metre horizontal section; in 2008, we drilled our first 1,900 metre horizontal leg and completed it with eight fracs. Typically, the more fracs successfully executed, the better the production from that well. We doubled production at Dawson in 2007 and have plans to double it again by early 2010. Graph 2 illustrates ARC's gas production profile from its main Dawson pool.



MAP A - DAWSON AND WEST DAWSON MONTNEY FIELDS

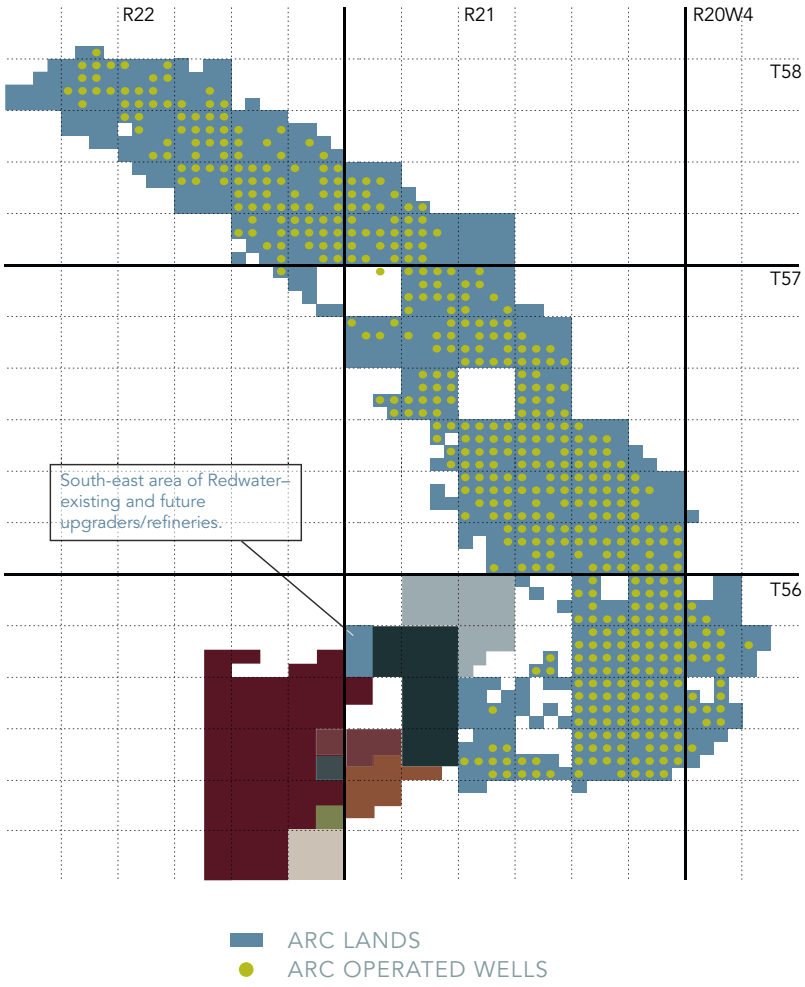
ARC has extensive development plans for the Dawson area over the next several years, both in the main Dawson field and on its West Montney lands. In 2009, ARC plans to drill 19 horizontal wells in Dawson. The Dawson field is currently processing capacity constrained and ARC is planning to build and operate 120 mmcf per day of additional capacity scheduled to come on-stream in two phases. The first phase is to build and have on-stream a 60 mmcf per day gas plant in early 2010. As we delineate the Sunrise field in the future, we expect that even more capacity may be required. In early 2009, ARC completed an equity offering to boost its ability to carry out its 2009 capital program and begin the construction of the new plant. With 82 horizontal infill wells identified in the reserves report in the main Dawson field, ARC has many years of drilling ahead.

There is significant option value embedded in ARC in its Montney assets that time and technology will unlock. We should see benefits of ever evolving completion technologies and we need to push our development into lower porosity rock to determine if we can access more gas economically. We also need to test, delineate and develop the new discoveries at Sunrise and West Dawson and will make that a priority over the next two years. As we develop this area over time we will gain more confidence in the ultimate recovery factor. Although current commodity prices may slow down some of the development projects in the near-term, we are committed to exploiting our Montney assets and expanding our facilities to create value for our investors.

ENHANCED OIL RECOVERY ("EOR") – REDWATER CO_2 PILOT PROJECT

Injection of CO_2 into old reservoirs to improve recovery is a technology that has been around for over 30 years and has proven to be effective in recovering additional oil that could not be recovered through primary and secondary recovery techniques. The incremental recovery extends the life of older oil fields and makes efficient use of existing facilities. An added benefit of CO_2 injection is that the process takes CO_2 that would normally be emitted into the atmosphere and sequesters it underground. The topic of CO_2 emissions is front and center in our society today. Large-scale industrial emitters such as refineries, upgraders and coal fired power plants are emitting large quantities of CO_2 into our atmosphere with uncertain long-term effects. Emitters are currently not obligated to capture CO_2 emissions; however that may change in the future. Governments are beginning to make environmental policy a priority as pressure is put on them by various lobby groups and their constituents. With the election of a new administration in the United States that has indicated its intent to introduce more stringent environmental legislation, it is quite probable that Canadian governments will follow.

MAP B - REDWATER OVERVIEW



ARC believes that EOR through the use of CO_2 injection will be a commercially viable option in the future to recover incremental oil from existing reservoirs. One of the largest and most historically prolific reservoirs in Alberta is the Redwater reef near the town of Redwater, Alberta. ARC purchased the field in 2005 with the intent to evaluate the potential to use CO_2 injection to recover more of the remaining oil from this once prolific reservoir. Redwater is one of the largest oil pools in Canada. It was discovered in 1948 and drilled up to 40-acre spacing by 1955. Redwater produced in excess of 150,000 boe per day during the 1960s, but today is producing just 4,000 boe per day. Redwater is believed to be an ideal candidate for a CO_2 EOR project because of its remaining unrecovered oil in place and its location, which is situated near both existing and proposed refineries and upgraders – each being sources of large CO_2 emissions.

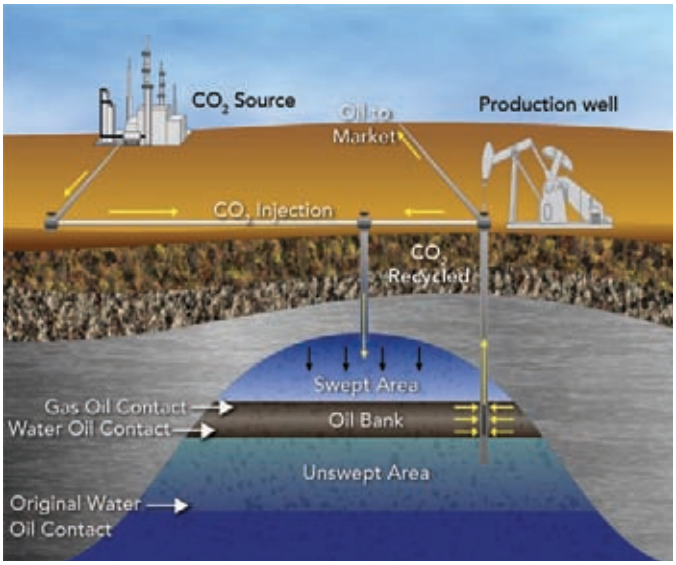


FIGURE 3 – VERTICAL CO_2 FLOOD

A small, isolated structural high in the reservoir was identified on 3-D seismic for the pilot. Three wells were drilled and ARC prepared and applied for the approval of a CO_2 pilot. At that point, we also negotiated and contracted for a supply of CO_2 for the pilot. While waiting for approvals, the injection planning commenced and construction of the injection facility was completed in the second quarter of 2008. On July 17, 2008 ARC received permission to begin injection of CO_2 and we began injection into the Redwater field on July 29, 2008. The CO_2 is injected at the crest of the isolated structural high, effectively creating a CO_2 "cap" in the reservoir and pushing the oil downwards. ARC has recently completed production wells to bring the production resulting from the CO_2 injection onstream. Under normal operating conditions, the production interval stays constant, but in the pilot, the CO_2 will slowly push the oil downwards resulting in the requirement to equip the production wells with sliding sleeves to allow selective production of the oil bank by opening and closing the appropriate sleeves as the oil is pushed downwards.

The pilot was designed to start with small amounts of CO_2 injected into the reservoir so as to allow for a slow and steady downward progression of the CO_2. Time was taken to ensure that the facilities were operating properly and that the reservoir would accept the CO_2. The CO_2 injection rate was increased as the pore space to be filled increases while maintaining a constant downward oil bank migration. Production facility planning began in 2007 and the facility was completed in the first quarter of 2009. Production started at the facility in the first quarter of 2009 and is expected to continue through to the second quarter of 2010.

ARC did preliminary evaluation work in 2006 and 2007 to establish whether conducting a CO_2 pilot project in Redwater was feasible. This included laboratory work, reservoir simulations, geologic assessments and shooting 3D seismic in the field. Our early conclusions showed that a vertical, partially miscible CO_2 flood might be technically viable.

At this time, the pilot project is meeting our expectations. The reservoir has been able to accept the CO_2 at the designed rates. Observation well logging is showing that the CO_2 is entering the reservoir as we expected, filling the pore space and migrating downwards. Constant monitoring confirms that the CO_2 is staying in the reservoir and that there is no leakage. The pilot is designed to confirm whether the Redwater reef is amenable to CO_2 flooding and that incremental oil can be mobilized and recovered. Despite the fact that the pilot is performing as expected, it will still take at least another year before we have any results to report. Even if the pilot is completely successful, from a technical perspective, there are still challenges ahead, especially pertaining to acquiring the large amounts of CO_2 that will be required for a commercial project under economically viable terms and conditions. Currently, there are no large-scale CO_2 capture facilities or infrastructure to transport CO_2 in Alberta. Large infrastructure investments are required to capture, transport and inject CO_2 and long-term agreements will need to be negotiated with emitters for the CO_2 supply. For all these types of projects to be possible, higher commodity prices will need to prevail and most importantly, governments will need to clearly establish what the long-term regulations surrounding CO_2 emissions will be. All of this will take time; however, this gives ARC the opportunity to conduct our pilots and testing and have all our results in place so that if it is determined to be commercially viable, we can create value through the implementation of a large-scale CO_2 EOR project.

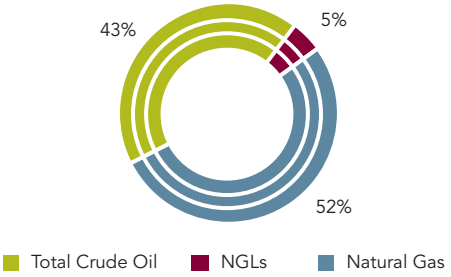
DELIVERING VALUE THROUGH OUR RESERVES

Reserves included herein are stated on a company interest basis (before royalty burdens and including royalty interests) unless noted otherwise. All reserves information has been prepared in accordance with National Instrument ("NI") 51-101. In addition to the detailed information disclosed, more detailed information on a gross basis (working interest before deduction of royalties without including any royalty interests) will be included in ARC's Annual Information Form ("AIF").

Based on an independent reserves evaluation conducted by GLJ Petroleum Consultants Ltd. ("GLJ") effective December 31, 2008 and prepared in accordance with definitions, standards and procedures contained in the Canadian Oil and Gas Evaluation Handbook ("COGEH") and NI 51-101, ARC had proved plus probable reserves of 321.7 mmboe. Reserve additions from exploration and development activities (including revisions) were 59.1 mmboe while 0.1 mmboe were added through acquisitions (net of minor dispositions), bringing the total additions to 59.2 mmboe. This represents 248 per cent of the 23.8 mmboe produced during 2008. As a result, year-end 2008 reserves are 12.3 per cent higher than the 286.4 mmboe of proved plus probable reserves recorded at year-end 2007.

Proved developed producing reserves represent 74 per cent of total proved reserves and 56 per cent of proved plus probable reserves; total proved reserves account for 76 per cent of proved plus probable reserves. Approximately 48 per cent of ARC's proved plus probable reserves are crude oil and natural gas liquids and 52 per cent are natural gas on a 6:1 boe conversion basis.

ARC PROVED PLUS PROBABLE RESERVES



RESERVES SUMMARY 2008
USING GLJ JANUARY 1, 2009 FORECAST PRICES AND COSTS

COMPANY INTEREST (GROSS + ROYALTIES RECEIVABLE)

	Light and Medium Crude Oil (mbbl)	Heavy Crude Oil (mbbl)	Total Crude Oil (mbbl)	NGLs (mbbl)	Total Natural Gas (bcf)	Oil Equivalent 2008 (mboe)	Oil Equivalent 2007 (mboe)
Proved Producing	94,922	2,552	97,474	8,692	447.7	180,777	185,364
Proved Developed Non-Producing	2,188	9	2,197	521	30.5	7,794	6,582
Proved Undeveloped	7,921	0	7,921	2,000	268.8	54,719	33,007
Total Proved	105,031	2,561	107,592	11,214	746.9	243,292	224,953
Proved plus Probable	135,199	3,243	138,442	14,578	1,012.2	321,723	286,371

GROSS INTEREST

	Light and Medium Crude Oil (mbbl)	Heavy Crude Oil (mbbl)	Total Crude Oil (mbbl)	NGLs (mbbl)	Total Natural Gas (bcf)	Oil Equivalent 2008 (mboe)	Oil Equivalent 2007 (mboe)
Proved Producing	94,805	2,357	97,162	8,535	437.8	178,659	183,042
Proved Developed Non-Producing	2,187	9	2,196	521	30.5	7,793	6,581
Proved Undeveloped	7,919	0	7,919	2,000	268.7	54,700	32,970
Total Proved	104,912	2,366	107,278	11,057	736.9	241,154	222,592
Proved plus Probable	135,049	3,006	138,055	14,386	1,000.0	319,114	283,550

NET INTEREST

	Light and Medium Crude Oil (mbbl)	Heavy Crude Oil (mbbl)	Total Crude Oil (mbbl)	NGLs (mbbl)	Total Natural Gas (bcf)	Oil Equivalent 2008 (mboe)	Oil Equivalent 2007 (mboe)
Proved Producing	80,767	2,370	83,137	6,028	381.7	152,789	159,738
Proved Developed Non-Producing	1,589	9	1,598	352	21.9	5,604	5,156
Proved Undeveloped	6,448	0	6,448	1,467	200.6	41,350	26,661
Total Proved	88,804	2,379	91,183	7,847	604.3	199,742	191,553
Proved plus Probable	113,725	2,978	116,703	10,287	815.6	262,928	243,727

RESERVE LIFE INDEX ("RLI")

ARC's proved plus probable RLI was 13.8 years at year-end 2008 while the proved RLI was 10.4 years based upon the GLJ reserves and ARC's 2009 production guidance of 64,000 boe per day. The following table summarizes ARC's historical RLI.

RESERVE LIFE INDEX

	2008	2007	2006	2005	2004	2003	2002	2001
Total Proved	10.4	9.8	9.8	10.3	9.7	10.1	10.1	9.8
Proved Plus Probable (Established reserves for 2002 and prior years)	13.8	12.5	12.4	12.9	12.2	12.4	11.8	11.5

NET PRESENT VALUE ("NPV") SUMMARY 2008

ARC's crude oil, natural gas and natural gas liquids reserves were evaluated using GLJ's product price forecasts effective January 1, 2009 prior to provision for interest, debt service charges and general and administrative expenses. **It should not be assumed that the NPV estimated by GLJ represent the fair market value of the reserves.**

NPV OF CASH FLOW BEFORE INCOME TAXES USING GLJ JANUARY 1, 2009 FORECAST PRICES AND COSTS

	Undiscounted $MM	Discounted at 5% $MM	Discounted at 10% $MM	Discounted at 15% $MM	Discounted at 20% $MM
NI 51-101 NET INTEREST					
Proved Producing	7,166	4,760	3,605	2,928	2,480
Proved Developed Non-Producing	277	181	133	104	85
Proved Undeveloped	1,500	915	606	419	295
Total Proved	8,943	5,856	4,344	3,450	2,861
Probable	3,600	1,648	948	620	438
Proved plus Probable	12,543	7,504	5,292	4,070	3,298

At a 10 per cent discount factor, the proved producing reserves make up 68 per cent of the proved plus probable value while total proved reserves account for 82 per cent of the proved plus probable value.

The following table provides an estimate of the NPV of Cash Flow on an after tax basis assuming that ARC would be subject to the equivalent of corporate income tax on its income beginning in 2011. It should be noted that this estimate does not take into account any corporate tax deductions such as interest and general and administrative expenses or for any tax pools generated by capital expenditures beyond what exists in the GLJ forecast. Details of ARC's tax pools at year end 2008 are presented in the MD&A section of the year-end financial results.

NPV OF CASH FLOW AFTER INCOME TAXES USING GLJ JANUARY 1, 2009 FORECAST PRICES AND COSTS

	Undiscounted $MM	Discounted at 5% $MM	Discounted at 10% $MM	Discounted at 15% $MM	Discounted at 20% $MM
NI 51-101 NET INTEREST					
Proved Producing	5,933	4,052	3,135	2,589	2,224
Proved Developed Non-Producing	210	139	104	82	67
Proved Undeveloped	1,106	663	426	283	188
Total Proved	7,248	4,854	3,665	2,953	2,479
Probable	2,611	1,196	687	448	316
Proved plus Probable	9,859	6,050	4,352	3,402	2,795

GLJ JANUARY 1, 2009 PRICE FORECAST

Year	West Texas Intermediate Oil($US/bbl)	Edmonton Light Crude ($Cdn/bbl)	Natural Gas at AECO ($Cdn/mmbtu)	Foreign Exchange ($US/$Cdn)
2009	57.50	68.61	7.58	0.825
2010	68.00	78.94	7.94	0.850
2011	74.00	83.54	8.34	0.875
2012	85.00	90.92	8.70	0.925
2013	92.01	95.91	8.95	0.950
2014	93.85	97.84	9.14	0.950
2015	95.73	99.82	9.34	0.950
2016	97.64	101.83	9.54	0.950
2017	99.59	103.89	9.75	0.950
2018	101.59	105.99	9.95	0.950
Escalate thereafter at	+2.0%/yr	+2.0%/yr	+2.0%/yr	0.950

ALBERTA GOVERNMENT NEW ROYALTY FRAMEWORK

On April 10, 2008, the Alberta Government announced revisions to the New Royalty Framework ("Framework" or "NRF"). The Framework was legislated in November 2008 and took effect on January 1, 2009.

The revisions to the Framework include the following:

- Increased royalty rates on conventional and non-conventional oil and natural gas production in Alberta whereby royalty rates may increase to maximum rates of 50 per cent;
- Sliding scale royalty calculations based on a broader range of commodity prices whereby conventional oil and natural gas royalty rates may increase up to maximum prices of approximately Cdn$120 per barrel and Cdn$16 per GJ, respectively;
- The elimination of royalty incentive and royalty holiday programs with the exception of specific programs relating to deep oil and natural gas drilling programs, innovative technology and enhanced recovery programs;

Subsequent to the legislation of the NRF, the Alberta Government introduced the Transitional Royalty Plan ("TRP") in response to the anticipated decrease in Alberta development activity resulting from the economic downturn and declining commodity prices. The TRP offers reduced royalty rates for wells drilled on or after November 19, 2008 which meet certain depth criteria. The TRP is in place for a maximum period of five years up to December 31, 2013. The Trust does not anticipate a significant benefit from the TRP in 2009 as the majority of the Trust's wells will convert to the NRF on January 1, 2009.

On March 3, 2009, the Government of Alberta announced a three-point incentive program to stimulate new and continued economic activity in Alberta which included a drilling royalty credit for new conventional oil and natural gas wells and a new well royalty incentive program.

- The drilling royalty credit program, a $200 per meter royalty credit will be available on new conventional oil and natural gas wells drilled between April 1, 2009 and March 31, 2010, and subject to certain maximum amounts. The maximum credits available will be determined by our 2008 production level, our drilling activity between April 1, 2009 and March 31, 2010 and Alberta Crown royalties payable in 2009. Based on our 2008 production we will be entitled to a maximum credit of 10 per cent of Alberta Crown royalties payable in the period April 1, 2009 through December 31, 2010.
- The new well incentive program will apply to wells beginning production of conventional oil and natural gas between April 1, 2009 and March 31, 2010, and provides for a maximum five per cent royalty rate for the first 12 months of production, up to a maximum of 50,000 barrels or 500 Mmcf of natural gas.

Approximately 65 per cent of the Trust's production is in Alberta; consequently, the total Framework may have a significant impact on the Trust's Alberta and corporate royalty rates. The NRF royalty program has been incorporated into the GLJ evaluation effective December 31, 2008.

NET ASSET VALUE

The following net asset value ("NAV") table shows what is normally referred to as a "produce-out" NAV calculation under which the current value of the Trust's reserves would be produced at forecast future prices and costs. The value is a snapshot in time and is based on various assumptions including commodity prices and foreign exchange rates that vary over time. **It should not be assumed that the net present values estimated by GLJ represents the fair market value of the reserves.**

NAV AT DECEMBER 31, 2008 [a]

$Millions, except per unit amounts	2008 NAV GLJ Price Forecast (2009-01)	2007 NAV GLJ Price Forecast (2008-01)
Value of NI 51-101 Net interest Proved Plus Probable Reserves discounted @ 10% (Before Tax) [b]	$ 5,292	$ 4,651
Undeveloped Lands [c]	$ 428	$ 229
Working Capital Deficit [d]	$ (60)	$ (38)
Reclamation Fund	$ 28	$ 26
Risk Management Contracts [e]	$ 1	$ (36)
Long-term Debt	$ (902)	$ (715)
Asset Retirement Obligation [f]	$ (57)	$ (26)
Net Asset Value	$ 4,730	$ 4,091
Units Outstanding (000's) [g]	219,182	213,179
NAV/Unit	$ 21.58	$ 19.19

(a) Financial information is per ARC's 2008 consolidated financial statements.

(b) Excludes estimated future taxes of $904 million for the GLJ Price Forecast, based on $2 billion in estimated Trust tax pools as at Dec 31, 2008. The estimated future taxes were calculated assuming ARC would be subject to the equivalent of corporate income tax on its income beginning in 2011. Estimated future taxes do not take into account any corporate tax deductions such as interest or general and administrative expenses.

(c) Internal estimate taking into account the September 30, 2008 Seaton-Jordan and Associates Ltd. external estimate and revised by internal estimates to account for fourth quarter 2008 changes to undeveloped land values.

(d) Working capital deficit excludes risk management contracts and future income tax asset.

(e) Risk management contracts represent the fair market value of such contracts as at December 31, 2008 based on the GLJ future pricing used to arrive at the value of Proved plus Probable reserves. This amount differs from the value of risk management contracts in the 2008 consolidated financial statements due to differing future pricing assumptions.

(f) The Asset Retirement Obligation ("ARO") is calculated based on the same methodology that was used to calculate the ARO on ARC's year-end financial statements, with the exception that future expected ARO costs were discounted at 10 per cent. The total discounted ARO at 10 per cent of $100.5 million was reduced by $44 million, relating to well abandonment costs which were incorporated in the Value of the Proved Plus Probable reserves discounted at 10 per cent pursuant to the escalated price case as per NI 51-101.

(g) Represents total trust units outstanding and trust units issuable for exchangeable shares as at December 31, 2008.

In the absence of adding reserves to the Trust, the NAV per unit will decline as the reserves are produced out. The cash flow generated by the production relates directly to the cash distributions paid to unitholders. The evaluation includes future capital expenditure expectations required to bring undeveloped reserves on production. ARC works continuously to add value, improve profitability and increase reserves, which enhances the Trust's NAV.

In order to determine the "going concern" value of the Trust, a more detailed assessment would be required of the unrecognized potential of specific properties and the ability of the ARC team to continue to make value-adding capital expenditures. At inception of the Trust on July 16, 1996, the NAV was determined to be $11.42 per unit based on a 10 per cent discount rate; since that time, including the January 2009 distribution, the Trust has distributed $23.82 per unit. Despite having distributed more cash than the initial NAV, the NAV as at December 31, 2008 was $21.58 per unit using GLJ prices. As a result of ARC's development activities, the NAV per unit using GLJ prices increased $2.39 per unit during 2008 after distributing $2.67 per unit to unitholders. Following is a summary of historical NAVs calculated at each of the Trust's year-ends utilizing the then current GLJ price forecasts and other assumptions and values utilized at such times.

HISTORICAL NAV – DISCOUNTED AT 10 PER CENT

$Millions, except per unit amounts	2008	2007	2006	2005	2004	2003	2002
Value of NI 51-101 Net interest Proved plus Probable reserves [a]	$ 5,292	$ 4,651	$ 4,056	$ 3,891	$ 2,389	$ 1,689	$ 1,302
Undeveloped lands	428	229	109	59	48	50	20
Reclamation fund	28	26	31	23	21	17	13
Risk Management Contracts [b]	1	(36)	(9)	(2)	(12)		
Long term-debt, net of working capital	(962)	(753)	(739)	(578)	(265)	(262)	(348)
Asset retirement obligation	(57)	(26)	(62)	(35)	(23)	(27)	-
Net asset value	$ 4,730	$ 4,091	$ 3,386	$ 3,358	$ 2,158	$ 1,467	$ 987
Units outstanding (000's)	219,182	213,179	207,173	202,039	188,804	182,777	126,444
NAV per unit	$ 21.58	$ 19.19	$ 16.34	$ 16.62	$ 11.43	$ 8.03	$ 7.81

(a) Proved plus Probable from 2003 and on is estimated in accordance with NI 51-101 while in prior years it represents Established reserves (which represents Proved plus Risked Probables).

(b) Risk management contracts were included in the value of Proved plus Probable reserves prior to 2004.

FINDING, DEVELOPMENT AND ACQUISITION ("FD&A") COSTS

Under NI 51-101, the methodology to be used to calculate FD&A costs includes incorporating changes in future development capital ("FDC") required to bring the proved undeveloped and probable reserves to production. For continuity, ARC has presented herein FD&A costs calculated both excluding and including FDC.

The aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated future development costs generally will not reflect total finding and development costs related to reserves additions for that year.

FINDING AND DEVELOPMENT COSTS ("F&D")

During 2008, ARC spent $548.6 million of capital on exploration, development and corporate activities, which added 42.2 mmboe of proved and 59.2 mmboe of proved plus probable reserves (including revisions). These activities replaced 177 and 248 per cent of ARC's 2008 production. In total, ARC drilled 232 gross operated wells with a 99 per cent drilling success rate.

The development focus for 2008 was again directed towards resource plays, primarily in the Montney in northeast British Columbia. In Dawson seven horizontal and nine vertical Montney gas wells were successfully drilled, helping to achieve record production of over 48 mmcf per day. The continued strong results at Dawson were recognized through a substantial reserves increase for this property, where 43 mmboe of proved plus probable reserves were added. This number is not materially different from the estimate provided in the October 30, 2008 news release "ARC Energy Trust announces significant increase to Montney reserves in the Dawson Area of Northeast British Columbia". In that news release, ARC also identified an estimate of 3.5 Tcf of gas, classified as "Discovered Petroleum Initially In Place" for the main Dawson area and a further 4.6 Tcf of gas on the Montney West Exploratory Lands, also classified as "Discovered Petroleum Initially In Place. Montney success was also achieved on the Montney West Exploratory Lands with the successful drilling of seven vertical and three horizontal exploratory wells across Sunrise, Saturn, Monias and Sundown. An initial proved plus probable assignment of 45 Bcf of reserves (7.5 mmboe) is included in the year-end 2008 reserves evaluation for gas wells drilled and tested at Sunrise. The 45 Bcf of reserves assigned at Sunrise were not included in the reserves recognized in the October 30, 2008 news release and accounts for less than one per cent of the 4.6 Tcf of gas classified as Discovered Petroleum Initially In Place that was recognized by GLJ in the Montney West Exploratory Lands. Further reserves additions are expected in the future as ARC firms up its development plan for these lands. In Ante Creek, ARC drilled six vertical and two horizontal oil wells, all of which were successful. The three well horizontal waterflood expansion was also completed. Other areas in the north that saw successful development included Pouce Coupe, Chinchaga and Swan Hills.

In ARC's shallow gas regions in southeastern Alberta and southwestern Saskatchewan there were 49 shallow gas wells, four deep oil wells, and one D&A well drilled.

In the central Alberta area, ARC continued to expand on the significant inventory of Natural Gas from Coal development with the drilling of 48 more wells. The central area also experienced deeper prospect success with oil and gas focused development of five new wells in Garrington, Delburne and Smiley.

The Pembina area development included 29 successful Cardium oil wells in the North Pembina Cardium Unit, Berrymoor, Lindale, MIPA and the South Pembina Cardium Unit. ARC also initiated a successful gas program in the Pembina area with seven wells targeting shallower sand and coal targets.

At Redwater, ARC drilled eight Leduc oil wells and three Viking horizontal wells, as well as initiating CO_2 injection into the EOR pilot area.

ARC experienced significant drilling success in southeast Saskatchewan with 36 new oil wells targeting both Mississippian and Bakken prospects.

The highlights of activity within the non-operated portfolio included a successful 34 well infill oil drilling program within the CO_2 flooded Weyburn unit and a successful 23 well infill drilling program within the adjacent CO_2 flooded Midale Unit, both in southeastern Saskatchewan.

Excluding changes in future development capital ARC's F&D costs were $9.28 per boe proved plus probable and $13.02 per boe total proved.

ACQUISITIONS AND DISPOSITIONS

In 2008, ARC spent $51 million (net of minor dispositions) to purchase primarily undeveloped land in the Montney prospective areas of northeastern British Columbia. The acquisitions were made for future development purposes and yielded only marginal current production and associated reserves. A net total of 0.1 mmboe of proved plus probable and 0.1 mmboe of total proved reserves were added for 2008. ARC believes that some of the key lands acquired in a late 2008 acquisition in the Dawson pool will be assigned reserves in 2009 as they are within the core of the pool and have offset wells planned for drilling in the 2009 budget.

FINDING DEVELOPMENT AND ACQUISITION COSTS ("FD&A")

Incorporating the net acquisitions during the year, ARC's proved plus probable FD&A costs excluding FDC were $10.13 per boe while proved FD&A costs excluding FDC were $14.22 per boe. In 2008 ARC again focused a large portion of the budget towards building a long-term inventory of future opportunities as over $122 million was spent at crown land sales. Including the $51 million spent on undeveloped lands identified above, ARC's total spending on land in 2008 was a record $173 million.

FUTURE DEVELOPMENT CAPITAL ("FDC")

NI 51-101 requires that FD&A costs be calculated including changes in FDC. Changes in forecast FDC occur annually as a result of development activities, acquisition and disposition activities and capital cost estimates that reflect the independent evaluator's best estimate of what it will cost to bring the proved undeveloped and probable reserves on production. The increased level of undeveloped reserves now booked in the Montney acreage has yielded an increased capital cost expectation in the 2008 evaluation.

FD&A COSTS – COMPANY INTEREST RESERVES

	Proved	Proved plus Probable
FD&A COSTS EXCLUDING FUTURE DEVELOPMENT CAPITAL		
Exploration and Development Capital Expenditures - $thousands	$ 548,566	$ 548,566
Exploration and Development Reserve Additions including Revisions – mboe	42,120	59,097
Finding and Development Cost - $/boe	$ 13.02	$ 9.28
Three Year Average F&D Cost - $/boe	$ 16.72	$ 13.54
Net Acquisition Capital - $thousands	$ 50,988	$ 50,988
Net Acquisition Reserve Additions – mboe	54	91
Net Acquisition Cost - $/boe	$ 951.42	$ 559.15
Three Year Average Net Acquisition Cost - $/boe	$ 40.09	$ 29.31
Total Capital Expenditures including Net Acquisitions - $thousands	$ 599,554	$ 599,554
Reserve Additions including Net Acquisitions – mboe	42,174	59,188
Finding Development and Acquisition Cost - $/boe	$ 14.22	$ 10.13
Three Year Average FD&A Cost - $/boe	$ 18.28	$ 14.70
FD&A COSTS INCLUDING FUTURE DEVELOPMENT CAPITAL		
Exploration and Development Capital Expenditures - $thousands	$ 548,566	$ 548,566
Exploration and Development Change in FDC - $thousands	$ 322,656	$ 406,840
Exploration and Development Capital including Change in FDC - $thousands	$ 871,222	$ 955,406
Exploration and Development Reserve Additions including Revisions – mboe	42,120	59,097
Finding and Development Cost - $/boe	$ 20.68	$ 16.17
Three Year Average F&D Cost - $/boe	$ 21.45	$ 18.89
Net Acquisition Capital - $thousands	$ 50,988	$ 50,988
Net Acquisition FDC - $thousands	-	-
Net Acquisition Capital including FDC - $thousands	$ 50,988	$ 50,988
Net Acquisition Reserve Additions – mboe	54	91
Net Acquisition Cost - $/boe	$ 951.42	$ 559.15
Three Year Average Net Acquisition Cost - $/boe	$ 42.27	$ 31.74
Total Capital Expenditures including Net Acquisitions - $thousands	$ 599,554	$ 599,554
Total Change in FDC - $thousands	$ 322,656	$ 406,840
Total Capital Including Change in FDC - $thousands	$ 922,210	$ 1,006,394
Reserve Additions including Net Acquisitions – mboe	42,174	59,188
Finding Development and Acquisition Cost including FDC - $/boe	$ 21.87	$ 17.00
Three Year Average FD&A Cost Including FDC - $/boe	$ 22.85	$ 19.84

In all cases, the F&D, or FD&A number is calculated by dividing the identified capital expenditures by the applicable reserves additions.

HISTORIC COMPANY INTEREST PROVED FD&A COSTS

	2008	2007	2006	2005	2004	2003	2002
Annual FD&A excluding FDC	$ 14.22	$ 20.37	$ 24.51	$ 15.60	$ 16.53	$ 10.78	$ 8.87
Three year average FD&A excluding FDC	$ 18.28	$ 18.51	$ 17.77	$ 13.30	$ 11.05	$ 10.69	$ 9.07
Annual FD&A including FDC	$ 21.87	$ 20.37	$ 27.53	$ 17.64	$ 20.46	$ 12.66	$ 10.03
Three year average FD&A including FDC	$ 22.85	$ 20.30	$ 20.31	$ 15.45	$ 13.02	$ 11.96	$ 10.16

HISTORIC COMPANY INTEREST PROVED PLUS PROBABLE FD&A COSTS

	2008	2007	2006	2005	2004	2003	2002
Annual FD&A excluding FDC	$ 10.13	$ 19.00	$ 22.41	$ 13.64	$ 13.76	$ 8.50	$ 9.27
Three Year Average FD&A excluding FDC	$ 14.70	$ 16.57	$ 15.59	$ 11.00	$ 9.30	$ 9.07	$ 8.21
Annual FD&A including FDC	$ 17.00	$ 20.03	$ 27.20	$ 16.09	$ 19.14	$ 10.54	$ 10.79
Three Year Average FD&A including FDC	$ 19.84	$ 19.19	$ 18.99	$ 13.50	$ 11.65	$ 10.52	$ 9.46

FD&A COSTS – GROSS INTEREST RESERVES

NI 51-101 CALCULATION INCLUDING FUTURE DEVELOPMENT CAPITAL	Proved	Proved plus Probable
Capital Expenditures excluding Net Acquisitions - $ thousands	$ 548,566	$ 548,566
Net Change in FDC excluding Net Acquisitions - $ thousands	$ 316,656	$ 394,840
Total Capital including FDC - $ thousands	$ 865,222	$ 943,406
Reserve additions excluding Net Acquisitions – mboe	41,853	58,818
Finding and Development Cost - $/boe	$ 20.67	$ 16.04
Three Year Average F&D Cost - $/boe	$ 21.65	$ 18.96
Capital Expenditures including net acquisitions - $ thousands	$ 599,554	$ 599,554
Net Change in FDC including net acquisitions - $ thousands	$ 322,656	$ 406,840
Total Capital - $ thousands	$ 922,210	$ 1,006,394
Reserve additions including net acquisitions – mboe	41,907	58,909
Finding Development and Acquisition Cost - $/boe	$ 22.01	$ 17.08
Three Year Average FD&A Cost - $/boe	$ 23.12	$ 20.04

HISTORIC GROSS INTEREST PROVED FD&A COSTS

	2008	2007	2006	2005	2004	2003	2002
Annual FD&A including FDC	$ 22.01	$ 20.71	$ 28.05	$ 17.81	$ 21.27	$ 12.95	$ 10.97
Three year average FD&A including FDC	$ 23.12	$ 20.57	$ 20.63	$ 15.74	$ 13.54	n/a	n/a

HISTORIC GROSS INTEREST PROVED PLUS PROBABLE FD&A COSTS

	2008	2007	2006	2005	2004	2003	2002
Annual FD&A including FDC	$ 17.08	$ 20.29	$ 27.79	$ 16.24	$ 19.74	$ 10.74	$ 12.06
Three Year Average FD&A including FDC	$ 20.04	$ 19.43	$ 19.28	$ 13.73	$ 12.09	n/a	n/a

RESERVES RECONCILIATION

GROSS INTEREST (WORKING INTEREST - ROYALTIES PAYABLE)

	Light and Medium Crude Oil (mbbl)	Heavy Crude (mbbl)	Total Crude Oil (mbbl)	NGLs (mbbl)	Conventional Natural Gas (bcf)	Natural Gas from Coal (bcf)	Total Natural Gas (bcf)	Oil Equivalent 2008 (mboe)
PROVED PRODUCING								
Opening Balance	98,381	2,224	100,605	9,280	432.6	6.4	438.9	183,042
Exploration discoveries	55	0	55	1	0.4	0.0	0.4	122.6
Drilling extensions	851	15	866	37	4.5	1.7	6.2	1,935
Improved recovery	1,364	0	1,364	136	15.3	0.0	15.4	4,062
Infill drilling	2,272	210	2,483	232	29.5	0.4	29.9	7,701
Technical revisions	1,260	200	1,460	214	15.3	(0.2)	15.1	4,185
Acquisitions	46	0	46	0	0.0	0.0	0.0	46
Dispositions	0	0	0	0	0.0	0.0	0.0	0
Economic factors	506	71	577	32	1.8	(0.0)	1.8	911
Production	(9,930)	(363)	(10,293)	(1,397)	(68.7)	(1.2)	(69.9)	(23,345)
Closing Balance	94,805	2,358	97,163	8,535	430.7	7.0	437.8	178,660
TOTAL PROVED								
Opening Balance	110,686	2,353	113,039	11,249	578.3	11.5	589.8	222,592
Exploration discoveries	55	0	55	17	4.3	0.0	4.3	794
Drilling extensions	860	15	875	199	48.1	2.4	50.5	9,486
Improved recovery	1,108	0	1,108	60	0.6	0.0	0.6	1,264
Infill drilling	2,685	160	2,845	758	140.7	0.5	141.2	27,132
Technical revisions	(1,095)	137	(958)	141	19.3	(0.8)	18.6	2,278
Acquisitions	46	7	53	0	0.0	0.0	0.0	54
Dispositions	0	0	0	0	0.0	0.0	0.0	0
Economic factors	496	58	554	30	1.9	0.0	1.9	898
Production	(9,930)	(363)	(10,293)	(1,397)	(68.7)	(1.2)	(69.9)	(23,345)
Closing Balance	104,912	2,366	107,278	11,057	724.6	12.4	736.9	241,154
PROBABLE								
Opening Balance	29,698	781	30,479	2,969	157.8	7.2	165.1	60,958
Exploration discoveries	26	0	26	8	1.9	0.0	1.9	355
Drilling extensions	477	5	482	145	51.5	0.9	52.3	9,348
Improved recovery	300	0	300	10	0.3	(0.0)	0.3	355
Infill drilling	709	(110)	599	177	37.3	0.1	37.4	7,012
Technical revisions	(1,004)	(68)	(1,073)	17	6.5	(1.3)	5.3	(178)
Acquisitions	15	2	17	0	0.0	0.1	0.1	37
Dispositions	0	0	0	0	0.0	0.0	0.0	0
Economic factors	(83)	30	(53)	4	0.7	(0.0)	0.7	73
Production	0	0	0	0	0.0	0.0	0.0	0
Closing Balance	30,138	640	30,777	3,330	256.2	6.9	263.1	77,960
PROVED PLUS PROBABLE								
Opening Balance	140,384	3,134	143,518	14,218	736.2	18.7	754.9	283,550
Exploration discoveries	81	0	81	25	6.3	0.0	6.3	1,149
Drilling extensions	1,337	20	1,357	344	99.6	3.2	102.8	18,834
Improved recovery	1,408	0	1,408	70	0.9	(0.0)	0.8	1,619
Infill drilling	3,394	50	3,444	935	178.1	0.5	178.6	34,144
Technical revisions	(2,099)	68	(2,031)	158	25.9	(2.0)	23.8	2,100
Acquisitions	61	9	70	0	0.0	0.1	0.1	91
Dispositions	0	0	0	0	0.0	0.0	0.0	0
Economic factors	413	88	501	34	2.6	(0.0)	2.6	971
Production	(9,930)	(363)	(10,293)	(1,397)	(68.7)	(1.2)	(69.9)	(23,345)
Closing Balance	135,049	3,006	138,055	14,386	980.7	19.3	1,000.0	319,114

RESERVES RECONCILIATION

COMPANY INTEREST RESERVES [1]

	Crude Oil (mbbl)		Natural Gas (bcf)		Natural Gas Liquids (mbbl)		Total (mboe)	
	Proved[2]	Probable[3]	Proved	Probable	Proved	Probable	Proved	Probable
Exploration discoveries	235	59	1.9	0.8	9	2	565	202
Drilling extensions	941	428	6.3	2.1	198	64	2,194	842
Improved recovery	1,522	180	16.4	13.3	374	149	4,629	2,542
Technical revisions	833	(1,042)	10.4	(4.0)	795	72	3,362	(1,643)
Acquisitions	2,000	986	19.5	2.8	23	5	5,280	1,460
Dispositions	(4,843)	(945)	(12.8)	(3.8)	(598)	(102)	(7,570)	(1,674)
Economic factors	1,816	154	12.8	3.6	142	45	4,098	796
Production	(8,404)	-	(65.3)	-	(1,534)	-	(20,814)	-
Reserves at December 31, 2004	84,200	24,794	589.4	135.1	11,534	2,697	193,973	50,000
Exploration discoveries	-	-	5	1	60	15	828	257
Drilling extensions	493	54	15	11	325	151	3,308	1,995
Improved recovery	772	(5)	5	1	251	31	1,815	127
Infill drilling	2,471	819	16	3	275	107	5,484	1,344
Technical revisions	139	(1,220)	7	(8)	(311)	(345)	962	(2,858)
Acquisitions	36,797	6,626	18	3	1,506	257	41,380	7,406
Dispositions	(397)	(63)	(1)	-	(68)	(15)	(679)	125
Economic factors	1,597	(263)	5	-	63	-	2,495	184
Production	(8,498)	-	(63)	-	(1,462)	-	(20,533)	-
Reserves at December 31, 2005	117,573	30,742	595.7	145.9	12,172	2,898	229,033	57,964
Exploration discoveries	9	4	1	0	16	7	120	51
Drilling extensions	236	493	11	3	130	33	2,179	1,131
Improved recovery	1,202	1,572	1	0	13	4	1,335	1,607
Infill drilling	2,181	657	29	(2)	655	115	7,721	438
Technical revisions	95	(1,871)	12	3	146	(171)	2,255	(2,568)
Acquisitions	3,599	1,227	6	5	112	132	4,757	2,236
Dispositions	(334)	311	(1)	(2)	(11)	(13)	(574)	(574)
Economic factors	1,593	644	5	1	58	(2)	2,452	(424)
Production	(10,600)	-	(65)	-	(1,522)	-	(23,015)	-
Reserves at December 31, 2006	115,553	31,870	593.7	149.9	11,768	3,002	226,264	59,861
Exploration discoveries	-	-	1	-	5	1	156	31
Drilling extensions	499	480	15	6	112	33	3,172	1,472
Improved recovery	1,907	392	2	-	56	13	2,257	465
Infill drilling	2,298	510	23	8	322	43	6,422	1,874
Technical revisions	1,544	(2,536)	31	3	527	(86)	7,155	(2,166)
Acquisitions	1,020	248	3	1	97	15	1,625	408
Dispositions	(162)	(23)	-	-	(24)	(5)	(245)	(41)
Economic factors	1,177	(392)	(1)	(1)	25	(12)	1,040	(487)
Production	(10,469)	-	(66)	-	(1,470)	0	(22,894)	-
Reserves at December 31, 2007	113,368	30,549	601	167.2	11,418	3,005	224,953	61,418
Exploration discoveries	55	26	4	2	17	8	794	355
Drilling extensions	875	482	51	52	202	146	9,504	9,351
Improved recovery	1,108	300	1	0	61	10	1,266	355
Infill drilling	2,845	599	141	37	758	177	27,142	7,014
Technical revisions	(833)	(1,071)	19	5	145	15	2,507	(168)
Acquisitions	53	17	0	0	0	0	54	37
Dispositions	0	0	0	0	0	0	0	0
Economic factors	556	(52)	2	1	27	4	907	68
Production	(10,436)	0	(72)	0	(1,413)	0	(23,836)	0
Reserves at December 31, 2008	107,592	30,850	747	265	11,214	3,365	243,291	78,432

(1) Company Interest reserves include working interests and royalties receivable.

(2) Heavy oil reserves reconciliation as a component of crude oil on a proved basis started with reserves at December 31, 2007 of 2,564 mbbl, drilling extensions of 15 mbbl, infill drilling of 160 mbbl, technical revisions of 223 mbbl acquisitions of 7 mbbl, economic factors of 58 mbbl and production of (466) mbbl, leaving a closing balance of 2,561 mbbl.

(3) Heavy oil reserves reconciliation as a component of crude oil on a probable basis started with reserves at December 31, 2007 of 826 mbbl, drilling extensions of 5 mbbl, infill drilling of (110) mbbl, technical revisions of (71) mbbl, acquisitions of 2 mmbl, economic factors of 30 mbbl, leaving a closing balance of 682 mbbl.

GOVERNANCE

ARC Energy Trust is committed to the highest standards for its governance practices and procedures. ARC's governance practices are routinely reviewed, appraised and modified to ensure that they are appropriate for a corporation of ARC's size and stature. ARC's approach to corporate governance meets the guidelines established by the Canadian Securities Administrators (CSA) as laid out in National Instrument 58 -101.

Independence of the Board

ARC's board comprises eight members, all of whom are "independent" directors, except for the Chief Executive Officer. ARC uses the definition of independence as defined in NI 58-101 which states that a director is independent if the member has no direct or indirect material relationship with the company. A material relationship means a relationship that could, in the opinion of the board of directors, reasonably interfere with the exercise of a member's independent judgement.

The Board has determined that none of the directors who serve on its committees has a material relationship with ARC that could reasonably be expected to interfere with the exercise of a director's independent judgment. The Chairman of the Board is an independent director and, in conjunction with the Vice-Chairman, is responsible for managing the affairs of the Board and its committees, including ensuring the Board is organized properly, functions effectively and independently of management and meets its obligations and responsibilities.

Mandate of the Board

The Board of Directors of ARC sees its primary role as the stewardship of ARC Resources and for overseeing the management of the business and affairs of ARC, with the goal of achieving the Trust's fundamental objective of providing long-term superior returns to unitholders. The Board oversees the conduct of the business and management through its review and approval of strategic, operating, capital and financial plans; the identification of the principal risks of the Trust's business and oversight of the implementation of systems to manage such risks; the appointment and performance review of the Chief Executive Officer; the approval of communication policies for the Trust and the review of the integrity of the Trust's internal financial controls and management systems.

Committees of the Board

The Board has established an Audit Committee, a Reserves Committee, a Human Resources and Compensation Committee, a Policy and Board Governance Committee, a Health, Safety and Environmental Committee and a Risk Committee to assist it in the discharge of its duties and responsibilities. All of the committees comprise independent directors and report to the Board of Directors of ARC Resources. Committee memberships are as of December 31, 2008.

Audit Committee

Members: Fred Dyment (Chair), Walter DeBoni, James Houck and John Stewart.

The Audit Committee assists the Board in fulfilling its oversight responsibilities with respect to the integrity and completeness of the annual and quarterly financial statements and accompanying management discussion and analysis provided to Unitholders and regulatory bodies; compliance with accounting and finance based legal and regulatory requirements; review of the independence and performance of the external auditor, internal accounting systems and procedures. The committee reviews the audit plans of the external auditors and meets with them at the time of each committee meeting, independently of management.

There were five meetings of the committee in 2008.

Reserves Committee

Members: James Houck (Chair), Fred Dyment, and Michael Kanovsky.

The Reserves Committee assists the Board in meeting their responsibilities to review the qualifications, experience, reserves evaluation approach and costs of the independent engineering firm that performs ARC's reserves evaluation and to review the annual independent engineering report. The committee reviews and recommends for approval by the Board on an annual basis the statements of reserves data and other information specified in National Instrument 51-101. The committee also reviews any other oil and gas reserves report prior to release by ARC to the public and reviews all of the disclosure in the Annual Information Form and elsewhere, related to the oil and gas activities of ARC.

There were five meetings of the committee in 2008.

Human Resources and Compensation Committee

Members: Herb Pinder (Chair), John Stewart and Mac Van Wielingen.

The Human Resources and Compensation Committee assists the Board in fulfilling its oversight responsibilities with respect to overall human resource policies and procedures; the compensation program for ARC; and in consultation with the Board, undertakes an annual performance review with the President and CEO, and reviews and approves the CEO's appraisal of the other executive officers' performance. The committee also recommends to the Board the compensation package payable to the CEO. The committee also reviews and recommends for approval to the Board the principal compensation plans of ARC such as the long-term incentive program and any awards under such plans.

There were eight meetings of the committee in 2008.

Health, Safety and Environmental Committee

Members: John Stewart (Chair), James Houck and Herb Pinder.

The Health, Safety and Environmental Committee assists the Board in its responsibility for oversight and due diligence by reviewing, reporting and making recommendations to the Board on the development and implementation of the standards and policies of ARC with respect to the areas of health, safety and environment. This committee meets separately with management of ARC who have responsibility for such matters and reports to the Board.

There were five meetings of the committee in 2008.

Policy and Board Governance Committee

Members: Walter DeBoni (Chair), Herb Pinder, Michael Kanovsky and Mac Van Wielingen.

The Policy and Board Governance Committee assists the Board in fulfilling its oversight responsibilities with respect to reviewing the effectiveness of the Board and its Committees; developing and reviewing ARC's approach to board governance matters; and reviewing, developing and recommending to the Board for approval procedures designed to ensure that the Board can function independently of management. The committee annually reviews the need to recruit and recommend new members to fill Board vacancies giving consideration to the competencies, skills and personal qualities of the candidates and of the existing Board, and recommends to the Board the nominees for election at each annual meeting. The effectiveness of individual board members and the board is reviewed through a yearly self assessment and inquiry questionnaire.

There were five meetings of the committee in 2008.

Risk Committee

Members: Michael Kanovsky (chair), Walter DeBoni, Fred Dyment and Mac Van Wielingen.

The risk committee was formed in early 2008 to assist the Board in fulfilling its oversight responsibilities with respect to reviewing the principal business risks of the Trust and the actions taken by the Trust to mitigate the risks. Included in the mandate is the review of guidelines, policies and reports from Management with respect to risk assessment and risk mitigation.

There were seven meetings of the committee in 2008.

IDENTIFYING VALUE THROUGH CORPORATE RESPONSIBILITY

Health, Safety and Environment

ARC has a long-standing tradition of leadership in all of its business and operational activities. We have consistently maintained a disciplined approach to health, safety and environmental issues and remain committed to operating in a socially responsible manner.

On the health and safety front, we continue to focus our efforts on reporting, awareness, and education. By ensuring that information and training is available to all workers, the risk of incident is greatly reduced. ARC performs safety audits on its operating facilities and lease sites. ARC also conducts safety audits on primary pre-approved contractors. It is critical to us that contractors have a safety management system in place and all their employees have at least the minimum required training as per our health and safety policy. The audit program provides an opportunity to evaluate contractor performance and ensure ARC's high safety standards are engaged consistently and effectively at all sites.

ARC conducts emergency response training on a regular basis in all of its operating fields to ensure a high level of response capability when placed in challenging situations.

Our health, safety and environment team held its fifth annual consultant health and safety workshop in the spring of 2008. This annual workshop reinforces to contractors our expectations for a safe work environment and takes the opportunity to review safe work practices and procedures, changes to regulatory requirements and modifications to ARC health and safety programs.

ARC participates and contributes annually to the Canadian Association of Petroleum Producers ("CAPP") Stewardship Program and is committed to reporting at the platinum level, which is the highest reporting level. CAPP defines stewardship as "analysis, planning, implementation, measurement and review of social, environmental and economic performance".

ARC continues efforts to reduce its greenhouse gas ("GHG") emissions as measured by production carbon intensity ("PCI"). This is accomplished through facility maintenance improvements, production efficiencies, and individual capital projects. Last year marked the second year ARC voluntarily reported its emissions to the Carbon Disclosure Project ("CDP"). ARC was recognized by the CDP as one of the top fifteen Canadian Climate Disclosure Leaders and ranked top ten within the High-Carbon-Impact Sectors.

ARC effectively manages its liabilities through the controlled abandonment and reclamation of facilities, wells and leases. We maintain a reclamation fund to ensure that required funds are available for future reclamation of wells and facilities once they have reached the end of their economic life. ARC is not required to do this, however we view this as a responsible approach to do business and a respectful approach to the environment. The optional annual contribution to support this effort is $12 million.

Community Involvement

ARC has consistently supported the communities it operates in by sponsoring and donating to community initiatives. In 2008, ARC contributed $1.9 million to not-for-profit groups both in Calgary and in its field communities.

ARC often partners with organizations for several years, committing to yearly donations so that a non-profit organization can better budget to provide its services. ARC has formed partnerships with many organizations some of which are:

- We are pleased to have been a partner with The United Way since our inception and in 2008, ARC and its employees contributed approximately $565,000 to the Calgary and area United Way Projects;
- The United Way "2335" Project is an initiative designed to engage the 23-35 age in the work that the United Way does within our community. ARC has committed $90,000 over three years;
- The Alberta Cancer Foundation supporting the Molecular Cancer Epidemiology Research Chair. ARC has committed $500,000 over two years to support this research;
- The Canadian Sport Centre Calgary, ("CSCC") which is one of the top training environments in the world for Olympic athletes. ARC has invested over $200,000 to the CSCC as part of an ongoing mutually beneficial partnership;
- The Canadian Sport Centre Calgary Sports Heroes Project is dedicated to remembering and recognizing a select group of Canadian athletes through art. The Sport Heroes Collection will be featured at the 2010 Vancouver Olympics. ARC is the lead sponsor of the project and has committed $100,000 over the next two years;
- HomeFront is committed to breaking the cycle of domestic violence in Calgary. ARC has committed $200,000 over five years to HomeFront;
- Alberta Shock Trauma Air Rescue Service Foundation (STARS), which is dedicated to the provision of a safe, rapid, highly specialized emergency medical transport system for the critically ill and injured. ARC has invested over $500,000 as part of an ongoing commitment to STARS;
- The Calgary Glenbow Museum combines intriguing stories from western Canada with extraordinary art and artifacts from around the world. ARC has committed $125,000 to the Glenbow over five years;
- The Progressive Society of Calgary supports people with developmental disabilities to find employment. ARC paid $15,000 as part of a three year $45,000 commitment in 2008; and
- The Alberta Mentor Foundation for Youth, which helps junior and senior high school students achieve full potential through supporting in-school mentoring relationships. ARC paid $15,000 as part of a three year $45,000 commitment in 2008;

ARC also contributes extensively to the communities it operates in with each field office deciding where community support monies are to be directed. Through its field offices ARC supports community centres, youth sports programs, food banks, seniors outreach groups and many other community organizations across Alberta, Saskatchewan, Manitoba, and British Columbia.

LEARN MORE

ARC's environment, health and safety program and community involvement initiatives are explained in more detail in ARC's Corporate Responsibility Report ("CR Report"). ARC released its first CR report in 2008 - it is available on the ARC corporate website – www.arcenergytrust.com/about/responsibility.

Directors

Mac H. Van Wielingen [2] [4] [5]
Chairman

Walter DeBoni [1] [2] [5]
Vice-Chairman

John P. Dielwart
Chief Executive Officer

James C. Houck [1] [3] [6]

Michael M. Kanovsky [2] [3] [5]

Herbert C. Pinder, Jr. [4] [5] [6]

John M. Stewart [1] [4] [6]

[1] Member of Audit Committee
[2] Member of Risk Committee
[3] Member of Reserves Audit Committee
[4] Member of Human Resources and Compensation Committee
[5] Member of Policy and Board Governance Committee
[6] Member of Health, Safety and Environment Committee

Officers

John P. Dielwart
Chief Executive Officer

Myron M. Stadnyk
President and Chief Operating Officer

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

Doug J. Bonner
Senior Vice-President, Corporate Development

David P. Carey
Senior Vice-President, Capital Markets

Terry Gill
Senior Vice-President, Corporate Services

Terry M. Anderson
Vice-President, Operations

Yvan Chretien
Vice-President, Land

P. Van R. Dafoe
Vice-President and Treasurer

Ingram B. Gillmore
Vice-President, Engineering

Neil Groenveld
Vice-President, Geosciences

Allan R. Twa
Corporate Secretary

Executive Office

ARC Resources Ltd.
2100, 440 – 2nd Avenue S.W.
Calgary, Alberta T2P 5E9

Telephone: (403) 503-8600
Toll Free: 1-888-272-4900
Facsimile: (403) 503-8609
Website: www.arcenergytrust.com
E-Mail: ir@arcresources.com

Trustee And Transfer Agent

Computershare Trust Company of Canada
600, 530 – 8th Avenue S.W.
Calgary, Alberta T2P 3S8
Telephone: (403) 267-6800

Auditors

Deloitte & Touche LLP
Calgary, Alberta

Engineering Consultants

GLJ Petroleum Consultants Ltd.
Calgary, Alberta

Legal Counsel

Burnet, Duckworth & Palmer LLP
Calgary, Alberta

Stock Exchange Listing

The Toronto Stock Exchange Trading Symbols:
AET.UN (Trust Units)
ARX (Exchangeable Shares)

Investor Information

Visit our website www.arcenergytrust.com

or contact:
Investor Relations
(403) 503-8600 or 1-888-272-4900 (Toll Free)

Privacy Officer

Terry Gill
privacy@arcresources.com
Facsimile: (403) 509-7260

Unitholders' Information

Notice of Annual Meeting

The annual meeting will be held on May 20, 2009 at 3:30 pm at the Metropolitan Conference Centre, 333 - 4 Avenue SW, Calgary, Alberta.

Corporate Calendar 2009

May 7	First Quarter Financial Results
May 20	Annual General Meeting

Glossary

API	American Petroleum Institute
bbls	barrels
bbls/d	barrels per day
bcf	billion cubic feet
boe*	barrels of oil equivalent
boe/d*	barrels of oil equivalent per day
Capex	capital expenditures
FD&A	finding, development and acquisition costs
F&D	finding and development costs
FDC	future development costs
GAAP	generally accepted accounting principles
G&A	general and administrative
GJ	gigajoule
mbbls	thousand barrels
mboe*	thousand barrels of oil equivalent
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
NAV	net asset value
NGL	natural gas liquids
NYMEX	New York Mercantile Exchange
RLI	reserve life index
WTI	West Texas Intermediate

* BOEs may be misleading, particularly if used in isolation. In accordance with NI 51-101, a boe conversion ratio for natural gas of 6 mcf:1 bbl has been used, which is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head.

Additional Information

For additional information on ARC Energy Trust at year-end December 31, 2008 we refer you to our Annual Information Form, MD&A, Financials, and Information Circular. All documents can be found on SEDAR – http://www.sedar.com.

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- 2,063 lbs ghg emissions not generated
- 2 barrels fuel oil unused
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we are providing the identical information, easy to access
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ARC ENERGY TRUST

Suite 2100, 440 - 2 Avenue SW
Calgary, Alberta, Canada T2P 5E9
1-888-272-4900 (403) 503-8600

WWW.ARCENERGYTRUST.COM