

MANDATE OF THE AUDIT COMMITTEE

Role and Objective

The Audit Committee (the "Committee") is a committee of the Board of Directors of ARC Resources Ltd. ("ARL") to which the Board has delegated its responsibility for oversight of the nature and scope of the annual audit, management's reporting on internal accounting standards and practices, financial information and accounting systems and procedures, financial reporting and statements and recommending, for Board of Director approval, the audited financial statements and other mandatory disclosure releases containing financial information. The objectives of the Committee, with respect to ARL and ARC Energy Trust (the "Trust") (hereinafter collectively referred to as "ARC"), are as follows:

- To assist Directors to meet their responsibilities in respect of the preparation and disclosure of the financial statements of ARC and related matters.
- To provide better communication between directors and external auditors.
- To ensure the external auditors' independence.
- To increase the credibility and objectivity of financial reports.
- To strengthen the role of the outside directors by facilitating in depth discussions between directors on the Committee, management and external auditors.

Mandate and Responsibilities of Committee

- It is the responsibility of the Committee to satisfy itself on behalf of the Board with respect to ARC's internal control systems, including in particular relating to derivative instruments:
 - identifying, monitoring and mitigating business risks.
 - ensuring compliance with legal and regulatory requirements.
- It is a primary responsibility of the Committee to review the annual and quarterly financial statements of ARC prior to their submission to the Board of Directors for approval. The process should include but not be limited to:
 - reviewing changes in accounting principles, or in their application, which may have a material impact on the current or future years' financial statements;
 - reviewing significant accruals, reserves or other estimates such as the ceiling test calculation;
 - reviewing accounting treatment of unusual or non-recurring transactions;
 - reviewing the Trust's status as a "mutual fund trust" under the *Income Tax Act* (Canada);
 - ascertaining compliance with covenants under loan agreements and Trust Indenture;
 - reviewing financial reporting relating to asset retirement obligations;
 - reviewing disclosure requirements for commitments and contingencies;
 - reviewing adjustments raised by the external auditors, whether or not included in the financial statements;

- reviewing unresolved differences between management and the external auditors;
 - obtain explanations of significant variances with comparative reporting periods; and
 - determine through inquiry if there are any related party transactions and ensure the nature and extent of such transactions are properly disclosed.
- The Committee is to review the financial statements and related information included in prospectuses, management discussion and analysis (MD&A), information circular-proxy statements and annual information forms (AIF), prior to Board approval.
 - With respect to the appointment of external auditors by the Board, the Committee shall:
 - be directly responsible for overseeing the work of the external auditors engaged for the purpose of issuing an auditors' report or performing other audit, review or attest services for the Trust, including the resolution of disagreements between management and the external auditor regarding financial reporting;
 - review management's recommendation for the appointment of external auditors and recommend to the Board appointment of external auditors and the compensation of the external auditors;
 - review the terms of engagement of the external auditors, including the appropriateness and reasonableness of the auditors' fees;
 - when there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change; and
 - review and approve any non-audit services to be provided by the external auditors' firm and consider the impact on the independence of the auditors.
 - Review with external auditors (and internal auditor if one is appointed by ARC) their assessment of the internal controls of ARC, their written reports containing recommendations for improvement, and management's response and follow-up to any identified weaknesses.
 - The Committee shall also review annually with the external auditors their plan for their audit and, upon completion of the audit, their reports upon the financial statements of ARC and its subsidiaries.
 - Review all public disclosure containing audited or unaudited financial information before release.
 - Review financial reporting relating to risk exposure.
 - Satisfy itself that adequate procedures are in place for the review of the Trust's public disclosure of financial information from the Trust's financial statements and periodically assess the adequacy of those procedures.
 - Establish procedures for:
 - the receipt, retention and treatment of complaints received by the Trust regarding accounting, internal accounting controls, or auditing matters; and

- the confidential, anonymous submission by employees of the Trust of concerns regarding questionable accounting or auditing matters.
- Review and approve ARC's hiring policies regarding partners, employees and former partners and employees of the present and external auditors of ARC.
- Review any other matters that the Audit Committee feels are important to its mandate or that the Board chooses to delegate to it.
- Undertake annually a review of this mandate and make recommendations to the Policy and Board Governance Committee as to proposed changes.

Composition

- This Committee shall be composed of at least three individuals appointed by the Board from amongst its members, all of which members will be independent (within the meaning of Multilateral Instrument 52-110 Audit Committees) unless the Board determines to rely on an exemption in NI 52-110. "Independent" generally means free from any business or other direct or indirect material relationship with ARC that could, in the view of the Board of Directors, reasonably interfere with the exercise of the member's independent judgment.
- The Secretary to the Board shall act as Secretary of the Committee.
- A quorum shall be a majority of the members of the Committee.
- All of the members must be financially literate within the meaning of NI 52-110 unless the Board has determined to rely on an exemption in NI 52-110. Being "financially literate" means members have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Trust's financial statements.

Meetings

- The Committee shall meet at least four times per year and/or as deemed appropriate by the Committee Chair.
- The Committee shall meet not less than quarterly with the auditors, independent of the presence of management.
- Agendas, with input from management, shall be circulated to Committee members and relevant management personnel along with background information on a timely basis prior to the Committee meetings.
- Minutes of each meeting shall be prepared by the Secretary to the Committee.
- The Chief Executive Officer and the Chief Financial Officer or their designates shall be available to attend at all meetings of the Committee upon the invitation of the Committee.
- The Controller, Treasurer and such other staff as appropriate to provide information to the Committee shall attend meetings upon invitation by the Committee.

Reporting / Authority

- Following each meeting, in addition to a verbal report, the Committee will report to the Board by way of providing copies of the minutes of such Committee meeting at the next Board meeting after a meeting is held (these may still be in draft form).
- Supporting schedules and information reviewed by the Committee shall be available for examination by any director.
- The Committee shall have the authority to investigate any financial activity of the Corporation and to communicate directly with the internal and external auditors. All employees are to cooperate as requested by the Committee.
- The Committee may retain, and set and pay the compensation for, persons having special expertise and/or obtain independent professional advice to assist in fulfilling its duties and responsibilities at the expense of ARC.