

**Storm Exploration Inc.  
Acquisition by ARC Energy Trust  
Tax Implications to Canadian Individual Shareholders**

**The following information is intended to assist former Canadian individual shareholders of Storm Exploration Inc. in the preparation of their 2010 Canadian Income Tax Returns.**

**This summary is of a general nature only and should not be construed, nor is intended to be, legal or tax advice, or representations to any particular Storm Exploration Inc. shareholder ("Storm Shareholder") or to be relied upon as such by any particular Storm Shareholder. Accordingly, Storm Shareholders should consult their own tax advisors for advice with respect to the tax consequences applicable to them in their particular circumstances.**

On August 17, 2010, ARC Energy Trust ("ARC" or the "Trust"), ARC Resources Ltd. ("ARC Resources"), Storm Exploration Inc. ("Storm") and Storm Resources Ltd. ("Storm Resources") completed the Plan of Arrangement (the "Arrangement") whereby ARC acquired all of the existing and outstanding common shares of Storm.

In accordance with the Arrangement, Storm Shareholders received through a series of steps, for each Storm share ("Storm Share") held, consideration consisting of: (A) at their election, either: (i) 0.5700 of a trust unit of ARC ("ARC Trust Unit") or (ii) 0.201733 of a Series B exchangeable share of ARC Resources ("ARC Exchangeable Share"); (B) 0.3333 of a common share of Storm Resources ("Storm Resources Share"); (C) approximately 0.1333 of a common share purchase warrant of Storm Resources ("Storm Resources Warrant"), each whole warrant entitling the holder to purchase one common share of Storm Resources for an exercise price of \$3.28 per share until 5:00 p.m. (Calgary time) on September 8, 2010; and (D) \$1.00 in cash. Non-resident and tax exempt Storm shareholders were not able to elect to receive ARC Exchangeable Shares as described above.

Pursuant to the Arrangement, the Canadian resident Storm shareholders received the consideration summarized above as a result of the following steps<sup>1</sup>:

1. Each of the issued and outstanding non-voting common shares of Storm ("Non-Voting Storm Shares") were exchanged for one voting common share of Storm ("Voting Storm Share");
2. Each issued and outstanding Storm Share (defined in the Arrangement as Voting Storm Shares and Non-Voting Storm Shares) was exchanged for (A) one Storm New Common Share; (B) one Storm Resources Note; (C) one Warrant Note; and (D) \$1.00 in cash;
3. The holders of Warrant Notes assigned and transferred to Storm Resources their Warrant Notes in consideration of Storm Resources issuing to such holders 0.4 of a Storm Resources Warrant for every three Warrant Notes so transferred;
4. The Storm New Common Shares received in step 2 above were transferred to ARC Resources in exchange for either 0.5700 of an ARC Trust Unit or 0.201733 of an ARC Exchangeable Share and Ancillary Rights; and
5. The holders of Storm Resources Notes assigned and transferred to Storm their Storm Resources Notes in consideration of Storm transferring to each such holder 0.3333 of a Storm Resources Share for each Storm Resources Note so transferred.

**Canadian Individual Investors**

This summary of Canadian federal income tax consequences is generally applicable to a Storm Shareholder in respect of the Arrangement who held Storm Shares, ARC Trust Units and/or ARC Exchangeable Shares, Storm Resources Notes, Storm Resources Shares, Warrant Notes and Storm Resources Warrants as capital property, dealt at arm's length with and was not affiliated with Storm, the

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<sup>1</sup> The numbering of the steps does not correspond to the numbering in the Arrangement.

Trust, ARC Resources, and Storm Resources, did not use or hold its Storm Shares, ARC Trust Units and/or ARC Exchangeable Shares, Storm Resources Notes, Storm Resources Shares, Warrant Notes and Storm Resources Warrants in the course of carrying on a business, and did not acquire the Storm Shares, ARC Trust Units and/or ARC Exchangeable Shares, Storm Resources Notes, Storm Resources Shares, Warrant Notes and Storm Resources Warrants in one or more transactions considered to be an adventure or concern in the nature of trade. Shareholders who have made a subsection 39(4) election (capital property), a subsection 261 election (functional currency), who are exempt from tax under Part I of the Tax Act, who are "tax shelters" or an interest in which is a "tax shelter" or who are "financial institutions"- all as defined by the Tax Act, -- should consult their own advisors with respect to the reporting these transactions.

#### *Summary of Dispositions to be Reported on a Canadian Individual's 2010 Income Tax Return*

Depending on a Storm Shareholders particular circumstance, the following items (described in more detail below) may need to be reported as a disposition on their 2010 Income Tax Return:

1. The exchange of Non-Voting Storm Shares for Voting Storm Shares to the extent a Storm Shareholder held Non-Voting Storm Shares immediately prior to the Arrangement;
2. The exchange of Storm Shares for Storm New Common Shares, Warrant Notes, Storm Resources Notes and Cash;
3. The exchange of Warrant Notes for Storm Resources Warrants;
4. The expiry, sale or other disposition of a Storm Resources Warrant. The exercise of a Storm Resources Warrant for a Storm Resources Share is not considered a disposition of property and therefore no gain or loss needs to be reported by a Storm Shareholder on their 2010 Income Tax Return to the extent they exercised their Storm Resources Warrants.
5. The exchange of Storm New Common Shares for ARC Trust Units or ARC Exchangeable Shares and Ancillary Rights;
6. The exchange of Storm Resources Notes for Storm Resources Shares.

#### *Exchange of Non-Voting Storm Shares for Voting Storm Shares*

A holder of Non-Voting Storm Shares should report a disposition of the Non-Voting Storm Shares pursuant to the Arrangement on their 2010 Income Tax Return with proceeds of disposition equal to the adjusted cost base to the holder of the Non-Voting Storm Shares so exchanged for the Voting Storm Shares. As a result, a holder Non-Voting Storm Shares should not realize a capital gain or capital loss on the exchange of their Non-Voting Storm Shares for Voting Storm Shares.

The cost of the Voting Storm Shares received on the exchange would be equal to the adjusted cost base of the Non-Voting Storm Shares immediately prior to the exchange. The adjusted cost base at a particular time to a Storm Shareholder of Voting Storm Shares acquired on such exchange is determined by averaging the cost of such Voting Storm Shares with the adjusted cost base of all Voting Storm Shares held by the Storm Shareholder as capital property at that time.

#### *Reorganization of Capital and Business of Storm and Exchange of Storm Shares for Storm New Common Shares, Warrant Notes, Storm Resources Notes and Cash*

Pursuant to the Arrangement, the estimated amount of a Storm Resources Note, a Warrant Note and the cash received were \$1.0933, \$0.003, and \$1.00 respectively, for a total amount received (excluding the Storm New Common Shares) of \$2.0963. There should be no deemed dividend as a result of this exchange as the paid-up capital of a Storm Share is estimated by Management of Storm and the Trust to be in excess of the \$2.0963.

#### Storm Shareholders with Adjusted Cost Base Less Than \$2.0963

A Storm Shareholder whose adjusted cost base of a Storm Share was less than \$2.0963 should report a capital gain on their 2010 Income Tax Return. In this case, the proceeds of disposition to be reported for a Storm Share should be \$2.0963.

The cost to the Storm Shareholder of the Storm Resources Note and the Warrant Note should be \$1.0933 and \$0.003 respectively. The cost to the Storm Shareholder of the Storm New Common Shares should be nil.

#### Storm Shareholders with Adjusted Cost Base Equal To or Greater Than \$2.0963

A Storm Shareholder whose adjusted cost base of a Storm Share that was equal to or greater than \$2.0963 should not realize a capital gain as a result of this exchange and should report a disposition on their 2010 Income Tax Return reporting proceeds of disposition equal to the adjusted cost base of the Storm Shares so exchanged for the Storm New Common Share, Warrant Note, Storm Resources Note and cash.

The cost to the Storm Shareholder of the Storm Resources Note and the Warrant Note should be \$1.0933 and \$0.003 respectively. The cost to the Storm Shareholder of a Storm New Common Share should be equal to the Storm Shareholder's adjusted cost base in the Storm Share immediately before the exchange less \$2.0963 (i.e. the amount of the Storm Resources Note, the Warrant Note and the cash received of \$1.00).

#### *Exchange of Warrant Notes for Storm Resources Warrants*

Pursuant to the Arrangement, a Storm Shareholder exchanged their Warrant Notes for Storm Resources Warrants on the basis of three Warrant Notes for 0.4 of a Storm Resources Warrant. As stated in the Information Circular of Storm dated July 16, 2010, Management of Storm were of the view that the principal amount of three Warrant Notes necessary to acquire 0.4 of a Storm Resources Share should be equal to the fair market value of 0.4 of a Storm Resources Warrant. This determination of value is not binding on the Canada Revenue Agency ("CRA") and it is possible that the CRA could take a contrary view. On the assumption that the principal amount of three Warrant Notes necessary to acquire 0.4 of a Storm Resources Share should be equal to the fair market value of 0.4 of a Storm Resources Warrant, a Storm Shareholder should report a disposition on their 2010 Income Tax Return reporting proceeds of disposition equal to the cost of the Warrant Notes so exchanged for Storm Resources Warrants. As per above, the cost to a Storm Shareholder of a Warrant Note should be \$0.003.

#### Exercise of a Storm Resources Warrant

The exercise of a Storm Resources Warrant for a Storm Resources Share is not considered a disposition of property and therefore no gain or loss needs to be reported by a Storm Shareholder on their 2010 Income Tax Return to the extent they exercised their Storm Resources Warrants.

The cost to a Storm Shareholder of a Storm Resources Share acquired on the exercise of the Storm Resources Warrant is generally equal to the sum of the adjusted cost base of the Storm Resources Warrants and the amount paid by the Storm Shareholder to exercise such Storm Resources Warrant. The adjusted cost base at a particular time to a Storm Shareholder of a Storm Resources Share acquired on the exercise of a Storm Resources Warrant or otherwise is determined by averaging the cost of such Storm Resources Share with the adjusted cost base of all Storm Resources Shares held by the Storm Shareholder as capital property at that time.

#### Expiry, Sale or Other Disposition of a Storm Resources Warrant

The expiry of an unexercised Storm Resources Warrant constitutes a disposition of the warrant for nil proceeds of disposition, resulting in a capital loss in an amount equal to the adjusted cost of such Storm Resources Warrant to the holder immediately prior to its expiry and should be reported on the holder's 2010 Income Tax Return.

A sale or other disposition of a Storm Resources Warrant should also be reported on the Storm Shareholder's 2010 Income Tax Return disclosing the proceeds of disposition and adjusted cost base of the Storm Resources Warrant to such holder. There would have been a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any costs of disposition, exceeded (or are exceeded by) the adjusted cost base of the Storm Resources Warrant to such holder.

### *Exchange of Storm New Common Shares for ARC Trust Units*

Each Storm Shareholder who exchanged Storm New Common Shares for ARC Trust Units pursuant to the Arrangement realized a capital gain (or capital loss) equal to the amount by which the fair market value of the ARC Trust units received exceeded (or is exceeded by) the adjusted cost base of the Storm New Common Shares to the Storm Shareholder and any reasonable costs of disposition. This disposition should be reported on the Storm Shareholder's 2010 Income Tax Return. A Storm Shareholder may wish to report the proceeds of disposition based on the August 17, 2010 closing price of an ARC Trust Unit of \$19.53. This determination of value is not binding on the CRA and it is possible that the CRA could take a contrary view.

### *Exchange of Storm New Common Shares for ARC Exchangeable Shares and Ancillary Rights*

Each Storm Shareholder who exchanged Storm New Common Shares for ARC Exchangeable Shares and Ancillary Rights was able to make a joint election with ARC Resources to defer any gain arising from the exchange of Storm New Common Shares for ARC Exchangeable Shares and Ancillary Rights.

#### Joint Election with ARC Resources Filed with CRA

A Storm Shareholder that made a joint election with ARC Resources and filed the joint election with the CRA should report a disposition of their Storm New Common Shares on their 2010 Income Tax Return for proceeds of disposition equal to the elected amount as reported in such election. Assuming the elected amount was equal to such holder's adjusted cost base of the Storm New Common Shares, the Storm Shareholder would not have a gain on the exchange of their Storm New Common Shares for ARC Exchangeable Shares.

The cost to a Storm Shareholder of the ARC Resources Exchangeable Shares acquired on the exchange of Storm New Common Shares is generally equal to the elected amount less the amount allocated to the Ancillary Rights. In accordance with the Tax Election Package, management of Storm and ARC Resources believe that the value of the Ancillary Rights should be reported as having an aggregate nominal value of \$1. This determination of value is not binding on the CRA and it is possible that the CRA could take a contrary view. On the assumption that the aggregate value of the Ancillary Rights was \$1, the cost to a Storm Shareholder of the ARC Resources Exchangeable Shares acquired on the exchange of Storm New Common Shares would be equal to the elected amount less \$1.

#### Joint Election with ARC Resources Not Filed with CRA

A Storm Shareholder that did not make a joint election with ARC Resources should report a disposition of their Storm New Common Shares on their 2010 Income Tax Return for proceeds of disposition equal to the fair market value of the ARC Resources Exchangeable Shares and Ancillary Rights received on the exchange of such Storm New Common Shares. On August 17, 2010, each ARC Exchangeable Share was exchangeable for 2.82551 ARC Trust Units. The closing price of an ARC Trust Unit on August 17, 2010 was \$19.53. Accordingly, a Storm Shareholder may wish to report the fair market value of each ARC Exchangeable Share as being \$55.18221. Ancillary Rights were also received as consideration for the exchange; these rights should be reported as having an aggregate value of \$1.00. This determination of value for both the ARC Exchangeable Shares and Ancillary Rights is not binding on the CRA and it is possible that the CRA could take a contrary view.

A Storm Shareholder that did not make a joint election with ARC Resources realized a capital gain (or capital loss) equal to the amount by which the fair market value of the ARC Exchangeable Shares and Ancillary Rights received exceeded (or is exceeded by) the adjusted cost base of the Storm New Common Shares to the Storm Shareholder and any reasonable costs of disposition.

### *Exchange of Storm Resources Notes for Storm Resources Shares*

Pursuant to the Arrangement, Storm Shareholders exchanged their Storm Resources Notes for Storm Resources Shares on the basis of three Storm Resources Notes for one Storm Resources Share. As stated in the Information Circular of Storm dated July 16, 2010, Management of Storm were of the view

that the principal amount of three Storm Resources Notes necessary to acquire one Storm Resources Share should be equal to the fair market value of a Storm Resources Share. This determination of value is not binding on the CRA and it is possible that the CRA could take a contrary view. On the assumption that the principal amount of three Storm Resources Notes necessary to acquire one Storm Resources Share should be equal to the fair market value of a Storm Resources Share, a Storm Shareholder should report a disposition on their 2010 Income Tax Return reporting proceeds of disposition equal to the cost of the Storm Resources Notes so exchanged for Storm Resources Shares.

As noted above, pursuant to the Arrangement, the estimated amount of a Storm Resources Note should be \$1.0933. On the basis of three Storm Resources Notes for a Storm Resources Share, this implies a fair market value of \$3.2799 for each Storm Resources Share. This is consistent with the August 16, 2010 News Release by the Trust and Storm whereby Storm announced the net asset value of Storm Resources to be \$3.28 per share.