Harvest Energy Trust Announces 2002 Audited Financial and Operating Results

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CALGARY - Harvest Energy Trust ("Harvest") (TSX: HTE.UN) announced today its 2002 audited financial statements for the period July 10 to December 31, 2002 and the independent engineering evaluation, effective January 1, 2003, completed by McDaniel & Associates ("McDaniel").

OVERALL 2002 HIGHLIGHTS

- Harvest initiates operation with the successful acquisition of two property packages in East Central Alberta at acquisition prices below industry average;
- Harvest completes Initial Public Offering issuing 4.3 million units at $8.00 for gross proceeds of $34.5 million;
- December exit rates for Harvest equal to 8,610 BOE/day; and
- Year-end engineering evaluation provides for positive reserve appreciation yielding 211% production replacement.

FINANCIAL & OPERATIONAL HIGHLIGHTS

Financial ($000's except per-BOE and per-trust-unit amounts)

Net revenue, before Hedging	$19,964
Net revenue, net of Hedging	$18,955
Cash flow from operations	$9,504
Cash Flow per BOE	$12.61
Net income	$5,136
Net Income per BOE	$6.81
Capital expenditures	$76,923
Net debt	$34,688
Cash distributed to Unitholders	$1,863
Per Trust Unit	$0.20
Weighed Average Trust Units Outstanding, basic	1,391,608
Weighted Average Trust Units Outstanding, diluted	1,479,108
Trust Units Issued	9,312,500
Unit Appreciation Rights granted	787,500

Operating and Reserves
(Natural gas converted to barrel of oil equivalent (BOE) on a 6:1 basis)

Average Daily Sales volumes	
Crude oil and Natural gas liquids (bbls/d)	4,203
Natural gas (mcf/d)	624
Total (BOE/day)	4,307
December 2002 Exit Rate Total (BOE/day)	8,610

Realized Commodity Prices (Cdn $)	Before Hedging	After Hedging
Crude oil and Natural gas liquids ($/bbl)	$30.20	$28.83
Natural gas ($/Mcf)	$4.54	$4.54
Total ($ per BOE)	$30.13	$28.79
Field Netback $ per BOE	$18.00	$16.66

Working Interest Reserves Summary

	Crude Oil & NGL (Mbbl)	Natural Gas (Mmcf)	Total (MBOE)	Present Worth (at 10%)
Proved Producing Reserve	9,759	1,377	9,989	$98,997
Total Proved	11,707	1,808	12,008	$115,965
Risked Probable	886	150	911	$7,536
Established	12,593	1,958	12,919	$123,501

Finding & Acquisition Cost
(Using January 1, 2003 McDaniel Valuation Report; Natural gas converted to barrel of oil equivalent (BOE) on a 6:1 basis)

Capital Expenditures	$76,923
Finding & Acquisition Costs ($/BOE)	
Proved	$6.03
Established	5.63
Proved plus Probable	5.28

Our First 175 Days Of Operations: Harvest's production consists of medium oil, heavy oil, natural gas liquids and natural gas from properties located in East Central Alberta. It is noteworthy that the financial performance described in the following paragraphs reflects the operations of 175 days of the Thompson Lake Properties acquired on July 10, 2002, and only 45 days of the Hayter Properties, acquired on November 15, 2002. As a result, the weighted average values may not be indicative of the actual consolidated performance of these two operations.

Production revenue was $22.7 million and $21.7 million after accounting for hedging transactions, before royalties. Average product prices realized, before hedging, were $30.20 per barrel for crude oil and natural gas liquids and $4.54 per Mcf of natural gas.

Average daily production volumes for this period were 4,307 BOE per day. This production was comprised of 4,203 barrels per day of crude oil and natural gas liquids and 624 Mcfd of natural gas. Approximately 2,780 BOE/d was contributed by the Thompson Lake Properties acquired on July 10, 2002. The Hayter Properties, acquired on November 15, 2002, contributed the balance of the production, being 5,791 BOE/d for the last 46 days of 2002, or an average for 1,527 BOE/d for the entire period starting July 10, 2002. December average production for the combined base of properties was 8,610 BOE/day.

Operating expenses were $6.4 million or $8.49 per BOE. These unit operating expenses reflect the greater contribution made by the Thompson Lake Properties, which have higher relative unit operating expense. Current operating expenses for the combined base of properties are in the range of $7.50 per BOE.

General and administrative expenses for the period were $0.6 million, or $0.77 per BOE.

Interest and financing expenses totaled $2.6 million for the period. Interest rates for this period were higher due to Harvest's use of more expensive bridge financing prior to the Initial Public Offering in December 2002. At December 31, 2002, the Trust had bank debt of $45.7 million and working capital of $11.0 million.

The provision for depletion and depreciation recorded for the period of July 10 to December 31, 2002 was $5.1 million. The provision for site restoration and abandonment recorded for the period was $0.5 million.

For the period of July 10 to December 31, 2002, Harvest reported cash flow from operations of $9.5 million. Net income for this period was $5.1 million.

Harvest was formed with the objective of aligning the interests of management and those of the Unitholders. There is no third party management contract with management and no related management fees. Management and directors are significant Unitholders themselves.

Hedging: Harvest has developed a risk management policy that uses commodity hedges to mitigate commodity price risk, particularly as it relates to oil sales. The objective of Harvest's risk management policy is to provide Unitholders with greater distribution stability and certainty. Note 10(c) of the attached Consolidated Financial Statements sets out Harvest's commodity contracts as at December 31, 2002.

Cash Distributions: Harvest paid its first distribution for December 2002, on January 15, 2003. Subsequent to this Harvest has paid two additional distributions for the months of January and February 2003 and will be paying March 2003 distributions of $0.20 on April 15, 2003.

Taxability: In the year 2002 Harvest declared a distribution of $0.20 per trust unit for December 2002. The December distribution is 100% tax deferred. As the distribution was paid in January 2003 the amount is to be included in the calculation of taxable income by individuals for the year ended December 31, 2003.

INDEPENDENT RESERVES VALUATION HIGHLIGHTS

Report Summary:

- Over 211% of the Harvest's 2002 production was replaced through positive established reserves revisions;
- Approximately 12% of the closing established reserves was added through improved reserve performance;
- Total proved reserves increased 5.1%, comparing the January 1, 2003 McDaniel report to the August 1, 2002 McDaniel report;
- Total established reserves increased 1.5%, comparing the January 1, 2003 McDaniel report to the August 1, 2002 McDaniel report;
- Reserves were added at no cost since no material development capital was expended during 2002; and
- Established Reserve Life Index of 4.3 years, based on McDaniel's forecast 2003 production of 8,320 BOE/day. This does not fully take into account production expected to be added through Harvest's 2003 capital spending program.

McDaniel's year-end established reserve forecasts show that Harvest replaced 211% of its 2002 production. The bulk of these reserve additions were the result of technical/performance revisions, which replaced 209% of 2002 production, the balance being the result of price forecast revisions. Since Harvest has not invested material capital, these reserve revisions are attributable to the underlying quality of the assets and the mode of operations employed by Harvest, resulting in stabilized production performance.

Present Worth - Escalating	@ 0%	@ 10%	@ 12%	@ 15%
January 1, 2003 ($000)				
Proved Producing	114,999	98,997	96,394	92,781
Total Proved	137,770	115,965	112,458	107,612
Probable	22,009	15,072	14,090	12,795
Total Proved and Probable	159,779	131,037	126,548	120,407
Established	148,774	123,501	119,503	114,010
Established: August 1, 2002	132,753	108,515	104,792	99,720
% Change	12%	14%	14%	14%

Reserves Summary January 1, 2003	Crude Oil (Mbbl)	NGL's (Mbbl)	Natural Gas (Mmcf)	Total (MBOE)
Proved Producing	9,694	65	1,377	9,989
Total Proved	11,630	77	1,808	12,008
Probable	1,757	14	300	1,821
Total Proved and Probable	13,387	91	2,108	13,829
Established	12,508	84	1,958	12,919
Established: August 1, 2002	12,344	82	1,816	12,729

% Change	1.3%	1.9%	7.8%	1.5%

Notes regarding tables: Natural gas converted at 6 mcf = 1 BOE. NGL converted at 1 bbl = 1 BOE. "Established Reserves" are 100% of proved reserves plus 50% of probable reserves. All estimates of present worth are presented without provision for income taxes, general and administrative expenses or future abandonment and reclamation liabilities. Present worth is based on McDaniel's internal commodity price forecast as of January 1, 2003, which assumes a base 2003 WTI oil price of US$26.00 per barrel. Reserves are company working interest reserves before royalties. Columns may not add due to rounding.

Reconciliation of Reserves: The following table contains a reconciliation of Harvest's established reserves effective January 1, 2003.

	Proved Producing	PUD & PNP	Total Proved	Risked Probable	Established
Oil Equivalent (MBOE)					
Opening	0	0	0	0	0
Capital Additions	0	0	0	0	0
Acquisitions	8,828	1,953	10,781	1,301	12,082
Dispositions	0	0	0	0	0
Revisions	1,915	66	1,981	(390)	1,591
Production	(754)	0	(754)	0	(754)
As at January 1, 2003	9,989	2,019	12,008	911	12,919

SUBSEQUENT EVENTS

Harvest has embarked on an active program of corporate activities during the first few months of 2003:

- Cash distributions of $0.20 per trust unit per month starting with December 2002, paid to Unitholders on January 15, 2003;
- Three additional distributions of $0.20 per trust unit have been announced and have been paid or are payable for January, February and March 2003;
- Initiated its 2003 capital development program focused on developing additional production and reserves from existing properties;
- Established a Distribution Reinvestment and Optional Unit Purchase Plan; and
- Completed an equity financing on February 4, 2003 at $10.00, a 25% premium above the IPO price, providing gross proceeds of $15 million.

Harvest Energy Trust is a Calgary based oil and natural gas trust that strives to deliver stable monthly cash distributions to its Unitholders through its strategy of acquiring, enhancing and producing crude oil, natural gas and natural gas liquids. Harvest's assets, comprised of high quality medium and heavy gravity crude oil properties in East Central Alberta, and its hands on operating strategy underpin Harvest's objective to deliver superior economic returns to Unitholders. Harvest's strategy is to retain up to 50% of its Cash Available for Distribution for capital reinvestment in the form of existing property enhancement and new property acquisitions while maintaining a high rate of cash distributions. Harvest currently operates approximately 99% of its production, enabling it to pursue additional asset growth through property optimization and enhancement.

ADVISORY: Certain information regarding Harvest Energy Trust and Harvest Operations Corp. including management's assessment of future plans and operations, may constitute forward-looking statements under applicable securities law and necessarily involve risks associated with oil and natural gas exploration, production, marketing and transportation such as loss of market, volatility of prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers and ability to access sufficient capital from internal and external sources; as a consequence, actual results may differ materially from those anticipated in the forward-looking statements.

Harvest Energy Trust
Consolidated Balance Sheet

	December 31, 2002
Assets	
Current assets	
Cash and short-term investments	$ 4,502,947
Accounts receivable	13,577,870
Prepaid expenses	409,573
	18,490,390
Deferred financing charges, net of amortization	2,209,792
Restoration fund (Note 3)	125,000
Future income tax (Note 9)	1,272,000
Property, plant and equipment, net (Note 4)	71,631,507
	$ 93,728,689
Liabilities and Unitholders' Equity	
Current liabilities	
Accounts payable and accrued liabilities	$ 5,593,405
Cash distributions payable	1,862,500
Accrued interest payable	389,349
Large corporation taxes payable	46,771
	7,892,025
Long-term debt (Note 5)	45,286,396
Site restoration and reclamation (Note 3)	544,178
	53,722,599
Commitments and contingencies (Note 13)	
Unitholders' equity	
Unitholders' capital (Note 6)	36,727,997
Accumulated income	5,136,093
Contributed surplus (Note 7)	4,500
Accumulated cash distributions	(1,862,500)
	40,006,090
	$ 93,728,689

Subsequent events (Note 12)

See accompanying notes to consolidated financial statements.
Approved by the Board of Directors:

Signed "John Brussa" Director

Signed "Hector McFadyen" Director

Harvest Energy Trust
Consolidated Statement of Income and Accumulated Income

For the period from July 10 (date of formation) to December 31, 2002

Revenues	
Oil and natural gas sales, net of hedging	$ 21,699,861
Royalties	(2,864,411)
Royalty income	119,982
	18,955,432
Expenses	
Operating	6,396,294
Interest and amortization of financing charges	2,046,406
Interest on long-term debt	599,137
General and administrative	576,780
Site restoration and reclamation	544,178
Depletion, depreciation and amortization	5,136,829
Foreign exchange gain	(255,056)
	15,044,568
Income before taxes	3,910,864
Taxes	
Large corporation taxes	46,771
Future tax recovery (Note 9)	(1,272,000)
Net income for the period, being accumulated income	$ 5,136,093
Income per trust unit, basic (Note 6)	$ 3.69
Income per trust unit, diluted (Note 6)	$ 3.46

See accompanying notes to consolidated financial statements.

Harvest Energy Trust
Consolidated Statement of Cash Flows

Period from July 10 (date of formation) to December 31, 2002

Cash provided by (used in)	
Operations	
Net income for the period	$ 5,136,093
Add items not involving cash:	
Depletion, depreciation and amortization	5,136,829
Amortization of finance charges	209,788
Site restoration and reclamation	544,178
Foreign exchange gain	(255,056)
Unit based compensation	4,500
Future tax recovery	(1,272,000)
Cash flow from operations	9,504,332
Change in non-cash working capital (Note 11)	(6,974,243)
	2,530,089
Financing	
Issue of trust units, net of costs	31,727,997
Deferred charges	(2,419,580)
Initial financing	55,041,491
Repayment of initial financing	(55,041,491)
Issuance of debentures	5,000,000
Issuance of long-term debt	60,202,789
Repayment of long-term debt	(14,661,337)
Change in non-cash working capital (Note 11)	781,049

	80,630,918
Investing	
Acquisition of properties	(76,153,324)
Additions to property, plant and equipment	(770,162)
Proceeds on disposition of property, plant and equipment	155,150
Reclamation fund	(125,000)
Change in non-cash working capital (Note 11)	(1,764,724)
	(78,658,060)
Increase in cash and short-term investments	4,502,947
Cash and short-term investments, beginning of period	-
Cash and short-term investments, end of period	$ 4,502,947
Cash interest payments	$ 1,886,921
Cash tax payments	$ -
Cash distribution per trust unit	$ 0.20

See accompanying notes to consolidated financial statements.

1. Structure of the trust

   Harvest Energy Trust (the "Trust") is an open-ended, unincorporated investment trust formed under the laws of Alberta. Pursuant to a trust indenture and an administration agreement, the Trust is managed by its wholly owned subsidiary, Harvest Operations Corp. ("Harvest Operations"). The Trust acquires and holds net profit interests in oil and natural gas properties acquired and held by Harvest Operations.

   The beneficiaries of the Trust are the holders of trust units. The Trust makes monthly distributions of its distributable cash to unitholders of record on the last day of each calendar month. The amount of the distributions per trust unit are equal to the pro rata share of the net income of the Trust (including direct royalties received, net profit interests in the oil and natural gas properties and crown charges that are not deductible for income tax purposes of Harvest Operations), dividends of Harvest Operations, Alberta Royalty Tax Credits received less expenses (including interest and net debt repayments) and net realized capital gains of the Trust less an appropriate working capital reserve.

2. Significant accounting policies

   These consolidated financial statements of the Trust have been prepared by management in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

   (a) Consolidation

   These consolidated financial statements include the accounts of the Trust and its wholly-owned subsidiary Harvest Operations. All inter-entity transactions and balances have been eliminated upon consolidation.

   (b) Use of estimates

   The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies, if any, as at the date of the financial statements and the reported amounts of revenues and expenses during the period. Specifically, amounts recorded for depletion, depreciation, amortization and site restoration and reclamation and amounts used for the ceiling test calculation are based on estimates of oil and natural gas reserves and future costs required to develop those reserves. By their nature, these estimates are subject to measurement uncertainty.

(c) Revenue recognition
Revenues associated with the sale of the Harvest Operation's crude oil, natural gas and natural gas liquids are recognized when title passes from Harvest Operations to its customer.

(d) Cash and short-term investments

Short-term investments with maturities less than three months are considered to be cash equivalents and are recorded at cost, which approximate market value.

(e) Joint venture accounting
Harvest Operations conducts substantially all of its oil and natural gas production activities through joint ventures, and the accounts reflect only their proportionate interest in such activities.

(f) Property, plant and equipment
The Trust follows the full cost method of accounting. All costs of acquiring oil and natural gas properties and related exploration and development costs, including overhead charges directly related to these activities, are capitalized and accumulated in one cost center. Maintenance and repairs are charged against income. Renewals and enhancements that extend the economic life of the capital assets are capitalized.

Gains and losses are not recognized on disposition of oil and natural gas properties unless that disposition would alter the rate of depletion by 20% or more.

Ceiling test
The Trust places a limit on the aggregate cost of capital assets, which may be carried forward for depletion against net revenues of future periods (the ceiling test). The ceiling test is a cost recovery test whereby the capitalized costs, less accumulated depletion and site restoration and the lower of cost and market value of unproved land, are limited to an amount equal to estimated undiscounted future net revenues from proved reserves, less general and administrative expenses, site restoration, management fees, future financing costs and applicable income taxes. Costs and prices at the balance sheet date are used. Any costs carried on the balance sheet in excess of the ceiling test limitation are charged to income.

Site restoration and reclamation provision
The Trust provides for the cost of future site restoration and reclamation, based on estimates by management, using the unit-of-production method. Actual site restoration costs are charged against the accumulated liability.

Depletion, depreciation and amortization
Provision for depletion and depreciation of petroleum and natural gas assets is calculated on the unit-of-production method, based on proved reserves before royalties as estimated by independent petroleum engineers. The basis used for the calculation of the provision is the capitalized costs of petroleum and natural gas assets plus the estimated future development costs of proved undeveloped reserves. Reserves are converted to equivalent units on the basis of six thousand cubic feet of natural gas to one barrel of oil.

Depreciation and amortization of office furniture and equipment is provided for at rates ranging from 20% to 33% per annum.

(g) Income taxes
The Trust is a taxable entity under the Income Tax Act (Canada)

and is taxable only on income that is not distributed or distributable to the unitholders. As the Trust plans to distribute all of its taxable income to the unitholders and meets the requirements of the Income Tax Act (Canada) applicable to a Trust, the Trust makes provision for income taxes on the taxes payable basis. Harvest Operations follows the liability method of accounting for income taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in its financial statements and its respective tax base, using enacted or substantively enacted income tax rates. The effect of a change in income tax rates on future tax liabilities and assets is recognized in income in the period in which the change occurs. Temporary differences arising on acquisitions result in future income tax assets and liabilities.

(h) Unit-based compensation
The Trust uses the intrinsic value based method of accounting for the Trust Unit incentive plan (Note 7). Under the terms of the plan, the exercise price of rights granted may be reduced in future periods based on the distributions made to Trust unitholders. The Trust does not recognize compensation expense on the issuance of rights to employees and directors as the exercise price of rights equals the market price on the day of the grant. Rights issued to non-employees are accounted for in accordance with the fair value method of accounting for stock-based compensation.

(i) Deferred financing charges
Deferred financing charges relate to costs incurred on the issuance of debt and are amortized on a straight-line basis over the term of the debt, and are included in the associated interest expense.

(j) Financial instruments
Harvest Operations enters into financial instruments to manage its exposure to adverse fluctuations in commodity prices, foreign currency exchange rates, electricity costs and interest rates. Harvest Operation's policy is not to utilize derivative financial instruments for trading or speculative purposes. Realized gains or losses on financial instruments that are designated and assessed effective as hedges are recognized in income concurrently with the underlying hedged transaction. If the hedge of an anticipated transaction is terminated or ceases to be effective, the associated gain or loss at that date is deferred and recognized concurrently with the anticipated transaction. Subsequent changes in value of the financial instruments are reflected in income.

(k) Foreign currency translation
Monetary assets and liabilities denominated in a foreign currency are translated at the rate of exchange in effect at the balance sheet date. Revenues and expenses are translated at the monthly average rate of exchange. Translation gains and losses are included in income in the period in which they arise.

3. Site restoration and reclamation

Site restoration involves the surface clean up and reclamation of well site and field production facilities. In addition, certain plant facilities will require decommissioning, which involves dismantlement of facilities as well as the decontamination and reclamation of these lands. Total estimated future costs, net of salvage value, are approximately $9,213,808, of which $544,178 has been accrued to December 31, 2002. The board of directors has established a fund to ensure that cash is available to carry out the future site restoration and reclamation work. In 2002, $125,000 has been contributed to this fund.

4. Property, plant and equipment

Accumulated

	Cost	depletion, depreciation and amortization	Net book value
Oil and natural gas properties	$ 55,188,754	$ (3,841,661)	$ 51,347,093
Production facilities and equipment	21,343,287	(1,271,752)	20,071,535
Office furniture and equipment	236,295	(23,416)	212,879
	$ 76,768,336	$ (5,136,829)	$ 71,631,507

General and administrative costs of $174,425 have been capitalized during the period ended December 31, 2002.
All costs are subject to depletion and depreciation at December 31, 2002. In addition, future development costs of $9,857,300 are included in depletion and depreciation calculations at December 31, 2002.
In accordance with Canadian GAAP, the Trust has performed a ceiling test as at December 31, 2002. Using December 31, 2002 commodity prices of WTI $US 31.23 per barrel for crude oil and AECO $5.20 per mcf for natural gas, resulted in a ceiling test excess.

5. Long-term debt

On November 14, 2002, Harvest Operations entered into a term borrowing base credit facility for U.S. $60 million. This facility has an initial borrowing base of U.S. $38 million, bears interest at the lender's prime rate plus an applicable margin in the case of a base rate loan, and at a LIBOR rate or Bankers Acceptance stamping fee plus an applicable margin in the case of a Eurodollar loan or Bankers Acceptance loan. The applicable margin is 1.125% or 1.875% for a base rate loan and 2.125% or 2.875% for a Eurodollar loan or Bankers Acceptance loan, depending on the amount of the borrowing base that is drawn. The effective interest rate for this facility was 5.35% for the period ended December 31, 2002. To secure the credit facility, Harvest Operation granted the lender a first priority lien on all of its assets. Certain restrictive covenants, including a requirement that Harvest Operations maintain price hedging agreements for not less than 67% of its expected production, and financial ratios are required to be maintained for the purpose of measuring Harvest Operation's ability to meet its obligation under the credit agreement. Accrued interest is due and payable quarterly. The facility will revolve until April 30, 2004 at which time any outstanding principal and interest balances must be repaid.

6. Unitholders' capital

(a) Authorized
The authorized capital consists of an unlimited number of trust units.

Each trust unitholder is entitled to a beneficiary interest in any distribution of the Trust and in any net assets in the event of termination or wind-up. Trust units are redeemable at any time at the option of the holder. The redemption price is equal to the lesser of 95% of the average market price of the trust units during a 10 day period commencing immediately after the redemption date and the closing market price on the redemption date. The total amount payable by the Trust in respect of redemptions in any calendar month shall not exceed $100,000. To the extent that a unitholder is entitled to a redemption payment, it will be satisfied by a cash payment from the Trust or by the Trust distributing a pro-rata number of Harvest Operations notes or distributing its own notes.

(b) Issued

Number of

	Units	Amount $
Issued for cash on formation (i)	100	100
Initial public offering (ii)	4,312,500	34,500,000
Settlement of debenture (iii)	5,000,000	5,000,000
Cancel the initial units issued on formation (i)	(100)	(100)
Unit issue costs	-	(2,772,003)
As at December 31, 2002	9,312,500	36,727,997

(i) On July 10, 2002, the Trust issued 100 units for cash proceeds of $100. As per the agreement on the initial issuance, the units were cancelled upon the completion of the initial public offering on December 5, 2002.

(ii) On December 5, 2002, the Trust issued 3,750,000 trust units for $27.6 million, net of a 6% underwriters' fee and $702,003 of issue costs. The net proceeds were used to fully repay a loan from a corporation controlled by a director of Harvest Operations and partially repay the bank loans. In conjunction with this initial public offering, the Trust granted the underwriters an option, to purchase up to an additional 562,500 trust units at a price of $8.00 per unit. On December 17, 2002, the underwriters exercised the option; the net proceeds were used to partially repay the bank loans.

(iii) Upon completion of the initial public offering the Trust paid the trust debenture principal and interest thereon, by the issuance of 5,000,000 trust units and a cash payment of $34,829.

(c) Per unit information
The following table summarizes the trust units used in calculating income per trust unit.

Period ended December 31, 2002	
Weighted average trust units outstanding, basic	1,391,608
Effect of trust unit rights	87,500
Weighted average trust units outstanding, diluted	1,479,108

The income for the diluted income per trust unit determined includes the effect of $17,500 on trust unit distributions.

7. Trust unit incentive plan

A Trust unit incentive plan has been established whereby the Trust is authorized to grant non-transferable rights to purchase trust units to directors, officers, consultants, employees and other service providers to an aggregate of 875,000 trust units. The initial exercise price of rights granted under the plan is equal to the closing market price on the date immediately prior to the date the rights are granted and the maximum term of each right is not to exceed five years. The exercise price of the rights is adjusted downwards from time to time based upon the cash distributions made on the trust units if the minimum distribution rate is met. The following summarizes the trust units reserved for issuance under the trust unit incentive plan:

	Trust unit rights Number	Weighted average exercise price $
Granted on November 25, 2002	787,500	8.00
Reduction in exercise price due to December 2002 distribution	-	(0.20)

Outstanding, December 31, 2002	787,500	7.80

All of the trust unit rights outstanding vest equally over the next four years on their anniversary date.

Under CICA Handbook section 3870 "Stock-based Compensation and Other Stock-based payments", the Trust has chosen not to recognize compensation expense when trust unit rights are granted to employees and directors under the trust unit incentive plan with no cash settlement features. The fair value of trust unit rights issued to directors, officers and employees has been determined using a binomial option pricing model. The binomial model has been utilized by the Trust as it allows the calculation of the fair value of a trust unit right with a decreasing exercise price, based on the distributions paid from the date of issue to the date of vesting.

For purposes of estimating fair value disclosures below, the fair value of each trust unit right has been estimated on the grant date using the following weighted-average assumptions:

Expected volatility	25.6%
Risk free interest rate	3%
Expected life of the trust unit rights	4 years
Estimated annual distributions per unit	$2.40

For the purposes of pro forma disclosures, the estimated fair value of the trust unit rights is amortized to expense over the vesting periods. The Trust's pro forma net income and per trust amounts would have been accounted for as follows:

Net income	As reported	$5,136,093
	Pro forma	$4,969,520
Income per unit - basic	As reported	$3.69
	Pro forma	$3.57
Income per unit - diluted	As reported	$3.46
	Pro forma	$3.35

During the period, the Trust has recognized $4,500 in compensation expense and included it in general and administrative expense in the consolidated statement of income and accumulated income, for trust unit rights issued to non-employees.

8. Related party transactions

A corporation controlled by a director of Harvest Operations had advanced and was repaid $30,971,491 during the period ended December 31, 2002. The loans bore interest at a rate of 12% per annum and were unsecured. The corporation was granted warrants to purchase 150,000 trust units at $1.00 per unit as a fee for providing the credit facility. The warrants were exercised subsequent to year end. The Trust paid $1,215,891 of interest on the loan during the period ended December 31, 2002.

Certain officers and directors of Harvest Operations and their associates provided $3,837,500 of the $5,000,000 of funds obtained pursuant to a debenture issued and repaid during the period ended December 31, 2002. The debenture bore interest at a rate of 2.25% per annum and was unsecured. The Trust paid $26,731 of interest on the debenture during the period ended December 31, 2002.

As at December 31, 2002, the financial derivatives (Note 10) were secured by a $3,000,000 personal guarantee provided by a director of Harvest Operations.

9. Income taxes

The provisions for future income taxes varies from the amount that would be computed by applying the combined Canadian federal and provincial income tax rates to the reported income before taxes as follows:

Income before taxes	$ 3,910,864
Computed income tax expense at the statutory rate of 42.1%	1,646,473
Amount included in Trust income	(2,912,280)
	(1,265,807)
Increase (decrease) resulting from:	
Non-deductible crown royalties and other payments	9,400
Federal resource allowance	(17,000)
Other	1,407
Future income taxes	$(1,272,000)

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities of Harvest Operations for financial reporting purposes and the amounts of used for income tax purposes. The components of the Harvest Operation's future tax assets are as follows:

Future tax assets:	
Tax pools of oil and natural gas in excess of net book value	$ 552,700
Resource allowance	172,000
Tax loss carry forwards	547,300
Net future tax asset	$ 1,272,000

At December 31, 2002, the Trust has tax pools of aggregating $86,000,000, including $12,000,000 in non-capital losses expiring in 2009. The tax pools exceed the corresponding book values by approximately $18,000,000.

At December 31, 2002, Harvest Operations has tax pools aggregating $63,000,000, including $1,300,000 in non-capital losses expiring in 2009. The tax pools exceed the corresponding book values by approximately $3,500,000.

10. Financial instruments

The Trust is exposed to market risks resulting from fluctuations in commodity prices, foreign exchange rates and interest rates in the normal course of operations.

(a) Fair values
Financial instruments of the Trust consist mainly of cash, accounts receivable, prepaid expenses, accounts payable and accrued liabilities, distributions payable, large corporation taxes payable and long-term debt. As at December 31, 2002, there were no significant differences between the carrying amounts of these financial instruments reported on the balance sheet and their estimated fair value.

(b) Interest rate risk
The Trust is exposed to interest rate risk on its long-term debt.

(c) Credit risk
Substantially all of the accounts receivable are due from customers in the oil and natural gas industry and are subject to normal industry credit risks. Concentration of credit risk is mitigated by having a broad customer, which includes a significant number of companies engaged in joint operations with the Trust. The Trust routinely assesses the financial strength of its

partners and customers, including parties involved in the marketing or other commodity arrangements. The carrying value of accounts receivable reflects management's assessment of the associated credit risks.

(d) Commodity risk management

The bank loan agreement requires the Trust to maintain hedging arrangements of not less than two thirds of its expected production volumes. The Trust uses oil sales contracts and derivative financial instruments to comply with this requirement. Under the terms of some of the derivative instruments, Harvest Operations is required to provide security from time to time based on the underlying market commodity price of those contracts.

The following is a summary of the oil sales contracts with price swap or collar features as at December 31, 2002, that have fixed future sales prices:

Swaps	Term	Price per Barrel	Mark to Market Gain (Loss) $
1,000 Bbls/d	January through March 2003	Cdn $38.30	(826,311)
1,000 Bbls/d	April through June 2003	Cdn $37.59	(513,586)
1,000 Bbls/d	July through September 2003	Cdn $37.10	(298,033)
1,000 Bbls/d	October through December 2003	Cdn $36.63	(197,719)
200 Bbls/d	January through March 2003	U.S. $24.95	(146,191)
200 Bbls/d	April through June 2003	U.S. $24.39	(86,590)
1,510 Bbls/d	January through March 2004	U.S. $23.23	(133,207)
1,300 Bbls/d	January through March 2004	U.S. $24.33	88,347
1,430 Bbls/d	April through June 2004	U.S. $22.93	(89,462)
1,380 Bbls/d	July through September 2004	U.S. $22.70	(91,323)
1,325 Bbls/d	October through December 2004	U.S. $22.54	(97,395)
1,100 Bbls/d	January through March 2005	U.S. $22.38	(93,532)
1,030 Bbls/d	April through June 2005	U.S. $22.18	(112,047)

Collars	Term	Price per Barrel	Mark to Market Gain (Loss) $
500 Bbls/d	January through March 2003	Cdn $35.00 - 41.30	(278,156)
500 Bbls/d	April through June 2003	Cdn $35.00 - 39.60	(165,338)
500 Bbls/d	July through September 2003	Cdn $35.40 - 38.40	(89,217)
500 Bbls/d	October through December 2003	Cdn $35.50 - 37.35	(65,740)

The Trust has also entered into a physical contract to deliver 6,000 Bbls/d of Lloydminster blend crude oil to the vendor of the property until December 31, 2003. This requires the Trust to purchase approximately 1,000 Bbls/d of diluents to blend with its production to meet the oil quality requirements at the delivery point. Under the contract, the Trust is paid a price equal to the NYMEX calendar WTI price less a fixed differential of U.S. $8.23 per Bbl, such price not to be less than U.S. $14.40 per Bbl or greater than U.S. $17.24 per Bbl.

The following is a summary of electricity price hedging swap contracts entered into by Harvest Operations to fix the cost of future electricity usage as at December 31, 2002:

Swaps	Term	Price per Megawatt	Mark to Market Gain (Loss) $
5MW	January through December 2003	Cdn $46.30	63,072

At December 31, 2002 the net mark-to-market unrealized loss for all the financial derivative contracts entered into by Harvest Operations was approximately $3,123,000.

11. Change in non-cash working capital

Changes in non-cash working capital items:	
Accounts receivable	$(13,577,870)
Prepaid expenses	(409,573)
Accounts payable and accrued liabilities	5,593,405
Accrued interest payable	389,349
Large corporation taxes payable	46,771
	$ (7,957,918)
Changes relating to operating activities	$ (6,974,243)
Changes relating to financing activities	781,049
Changes relating to investing activities	(1,764,724)
	$ (7,957,918)

12. Subsequent events

On January 15, 2003, the Trust announced a cash distribution of $0.20 per trust unit to the unitholders of record on January 31, 2003. The distribution was paid on February 17, 2003. On February 17, 2003, 79,208 trust units were issued for $794,650 on the reinvestment of distributions pursuant to the Distribution Reinvestment and Optional Unit Purchase Plans.

On January 24, 2003, 150,000 trust units were issued to a corporation controlled by a director of Harvest Operations on the exercise of a warrant. The $150,000 in proceeds was added to working capital.

On January 24, 2003, 32,500 trust unit rights were issued to employees under the Trust unit incentive plan with an exercise price of $10.21 per unit. The trust unit rights vest equally over the next four years on their anniversary date.

On January 29, 2003, Harvest Operations entered into an electricity purchase agreement whereby 5 MW per hour will be provided at a price of $46 per MW from January 1, 2004 to January 1, 2005.

On February 4, 2003, pursuant to an underwriting agreement dated January 26, 2003, the Trust issued 1,500,000 special warrants that are exercisable into 1,500,000 trust units for $14,050,000, net of a 5% underwriters' fee and approximately $200,000 of issue costs. Subsequent to the exercising of these rights, the net proceeds were added to working capital and used to partially repay the long-term debt.

On February 8, 2003, the Trust announced a cash distribution of $0.20 per unit to the unitholders of record on February 28, 2003. The distribution was paid on March 17, 2003. On March 17, 2003, 73,230 trust units were issued for $780,223 on the reinvestment of distributions pursuant to the Distribution Reinvestment and Optional Unit Purchase Plan.

On February 14, 2003, 34,500 trust unit rights were issued to directors under the Trust unit incentive plan with an exercise price of $10.75 per unit. The trust unit rights vest equally over the next four years on their anniversary date.

On February 26, 2003, the personal guarantee provided by a director for the financial derivative contracts in place was replaced by cash on account of approximately U.S. $2,163,000 USD from Harvest

Operations.

The following is a summary of the oil sales contracts with price swap or collar features that were entered into by Harvest Operations subsequent to December 31, 2002, that have fixed future sales prices:

Trade Date	Swaps	Term	Price per Barrel
January 14, 2003	1,300 Bbls/d	January through March 2004	USD $24.33
February 26, 2003	1,200 Bbls/d	April through June, 2004	USD $25.50
February 26, 2003	500 Bbls/d	July through September, 2004	USD $24.56
February 26, 2003	500 Bbls/d	October through December, 2004	USD $24.03
March 21, 2003	500 Bbls/d	January through December, 2004	USD $24.12

Associated with the swap agreement entered into on March 21, 2003, Harvest Operations sold a put agreement to the counterparty for 500 Bbls/day at USD$15.50.

13. Commitments and contingencies

The vendor of certain properties purchased by Harvest Operations has indicated its intent to charge an additional $5.8 million for the properties purchased. Management believes that such amount is not owing to the vendor and accordingly, the additional amount has not been included in the cost of the purchase. This dispute is expected to be resolved through an arbitration process and any amount paid and not recoverable will be recorded as capital assets upon settlement.

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